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ABSTRACT

Specifications of the current delivery systems of the Pell Grant program, the Guaranteed Student Loan (GSL) program, and campus-based aid programs are provided. The relationship between features of the programs and delivery systems is also examined. The campus-based programs include the Supplemental Educational Opportunity Grant (SEOG) Program, the College Work Study (CW-S) Program, and the National Direct Student Loan (NDSL) Program. The following components of the current systems are covered: pre-application, student application, student eligibility determination, benefit calculation, fund disbursement, and account reconciliation. These components are then subdivided into activities specific to each program. Each activity is further broken down into a series of steps characterized in input-process-output chains (i.e., activities that initiate a series of processes, the activities undertaken in response to inputs, and documents/actions resulting from inputs and processes). Appended are questions related to program design that are determined by laws, regulations, policy decisions, and historic practices. The legislative histories of the Pell, GSL, SEOG, CW-S, and NDSL programs are included, with attention to revisions and amendments, and the funding history. (SW)

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ASSESSMENT OF ALTERNATIVE
STUDENT AID DELIVERY SYSTEMS

PRELIMINARY SPECIFICATION OF
THE CURRENT SYSTEM WITH
PROGRAM ANTECEDENTS

Submitted to

Office of Student Financial Assistance
Department of Education

Contract No.: 300-80-0952

by

ADVANCED TECHNOLOGY, INC.
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Reston, Virginia 22091

JANUARY 1983

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I. INTRODUCTION

A. The Purpose and Nature of the Analysis

The Department of Education (ED) is currently considering alternatives to the present system for the delivery of student financial assistance. The Credit Management Task Force (CMTF) will provide the Secretary with the information he needs for making decisions. The Delivery System Assessment Task, a part of the Pell Quality Control Project, has been designed to accomplish this complex analysis in cooperation with the CMTF and the Office of Student Financial Assistance (OSFA).

This task applies methodology from program evaluation, applied policy research, and systems analysis, going beyond previous analyses in the following ways:

- It analyzes technical issues along with policy issues.
- It evaluates how delivery systems affect participants and society.
- It considers how social, economic, environmental, and political factors can alter the effects of a delivery system.
- It specifies alternative methods of delivery in detailed systems terms.
- It compares effects of alternative systems with those of the current system.
- It considers the impact of program intent on delivery system design decisions and considers how laws, regulations, policy decisions and historical practices combine to produce the delivery system.

As noted above, this model traces the impact of delivery system features on various effects which are important to program participants and society. A preliminary list of the effects which will be the focus of this analysis is presented in Figure 1. The delivery system does not produce these effects in a vacuum. First, a delivery system is designed to implement a given program, developed through laws, regulations, policy decisions and historical practices. This program both determines delivery system components and constrains the types of alternatives which can be considered. Second, social, economic, environmental and political factors intervene between system features and system effects, sometimes altering the expected effects of the system. For example, the effect "student application time" will be a result of system features such as the format of the application, and of intervening factors, such as the student's ability to fill out the application form. In general, these intervening factors are beyond the scope of ED's control. These relationships are illustrated in Figure 2.

The analytic model provides a method of evaluating the current system, focusing on the most crucial effects. The model will evaluate the effects of alternatives by comparing their differential effects to the effects of the current system. The nature of the variables makes complete quantification impossible. This model is similar to a quantitative model which would measure how the variables mentioned above influence the effects. Qualitative data will be substituted where numerical measures or data are not available or sufficient, and rigorous qualitative analysis will be used where mathematical equations are inappropriate. The result will be data on the effects of the current and alternative systems. These systems will then be ranked according to various interpretations of program intent.

To develop and utilize this model, a number of activities have been, and will be, undertaken. A preliminary version of this model was developed, describing this methodology in detail. To turn the conceptual model in Figure 2 into one that can be used for evaluation, the components are rearranged slightly, as illustrated in Figure 3. The preliminary model paper also presents a draft list of the effects, program and system features, and intervening factors, and maps out some of the

APPLICANT/FAMILIES

- Application Time
- Miscalculation/Error
- Turnaround Time
- Horizontal Equity
- Certainty of Funds
- Distribution of Aid

LENDERS

- Loan Capital Available
- Net Servicing Income
- Incentives to Participate
- Short-Term Net Income
- Net Return on Capital

FEDERAL GOVERNMENT

- Fund Control
- Fund Forecasting
- Maintenance Costs
- Integration Across Programs
- Vertical Equity

INSTITUTIONS

- Processing Time
- Administrative Burden
- Collection Burden
- Financial Planning
- Enrollment
- Certainty of Funds

STATES

- Financial Planning
- Administrative Costs
- Enrollment by Level and by Field of Study
- Aid Programs

SOCIETY

- Choice and Persistence
- Equity (Horizontal and Vertical)
- Cost of Delivery

FIGURE 1

**PRELIMINARY LIST OF EFFECTS
OF THE STUDENT AID DELIVERY SYSTEM**

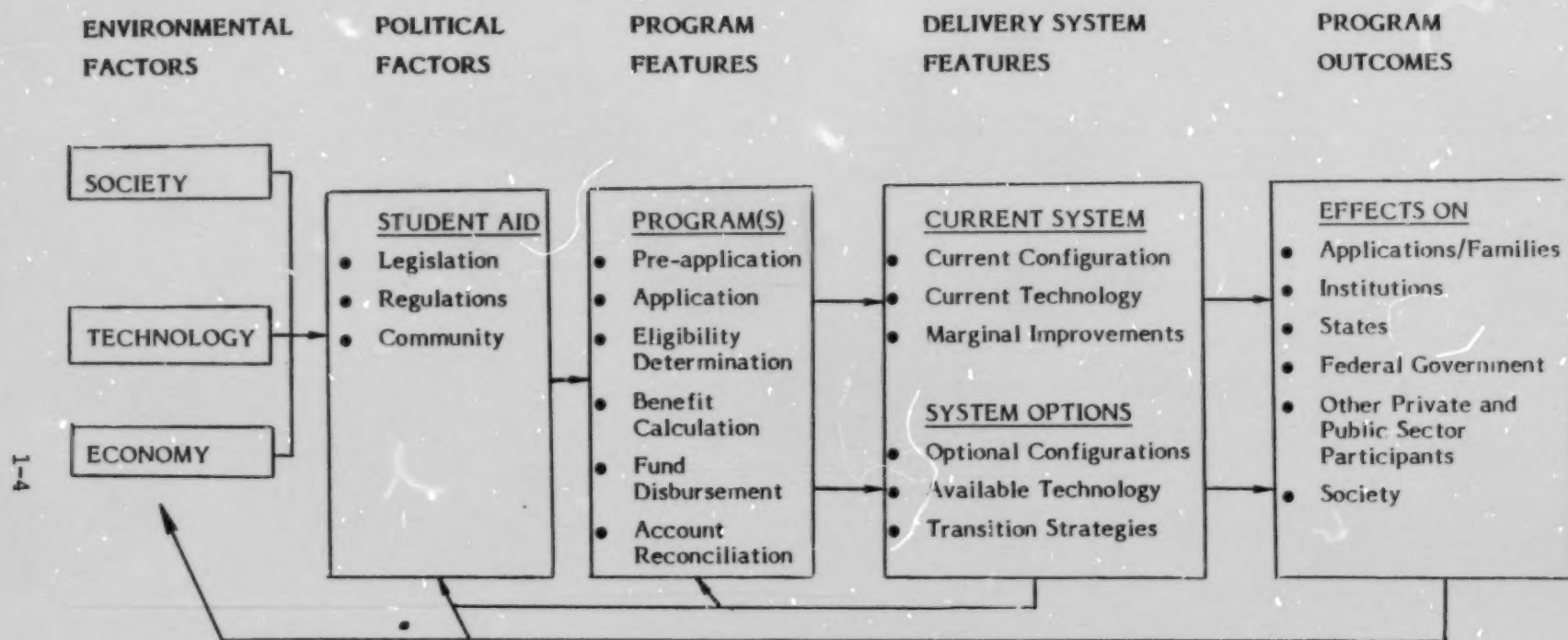


FIGURE 2
CONCEPTUAL MODEL FOR STUDENT AID
DELIVERY SYSTEM ASSESSMENT

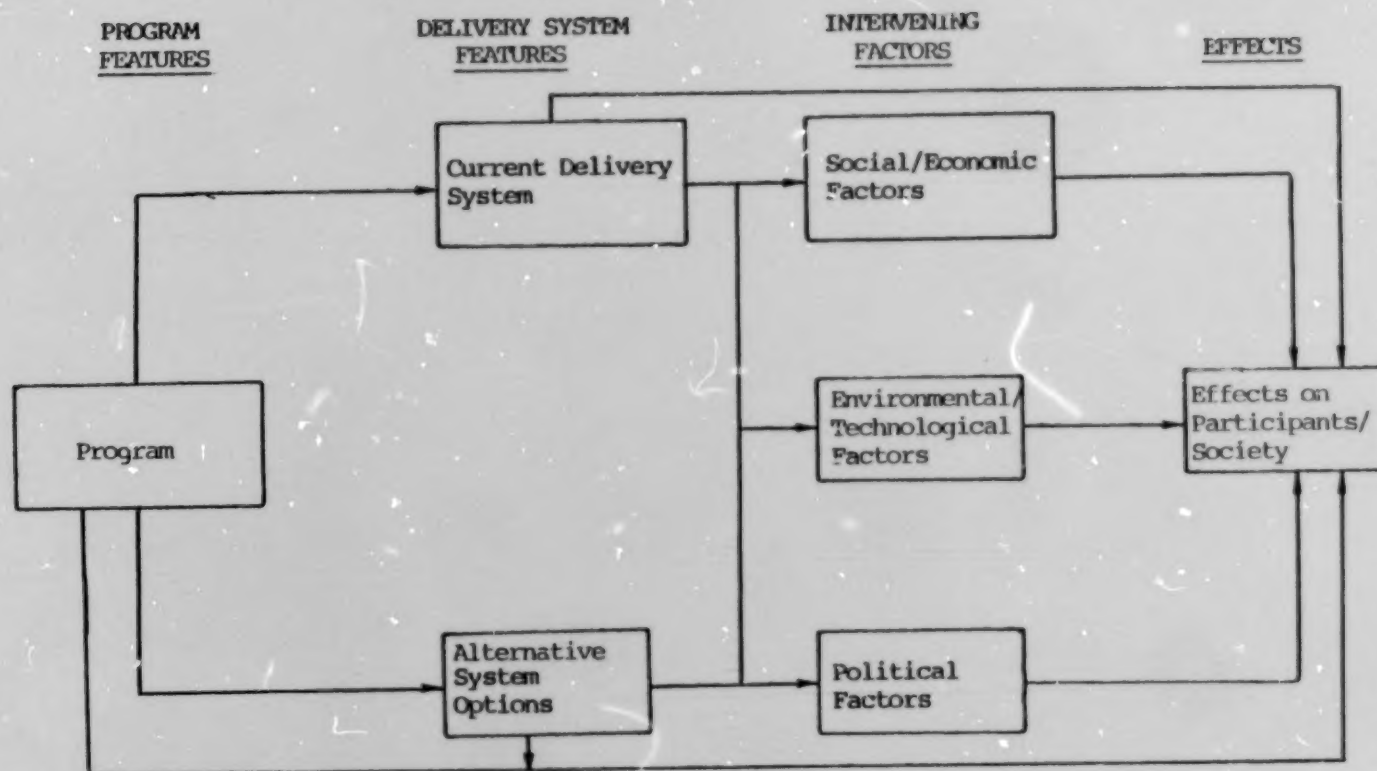


FIGURE 3
ANALYTIC MODEL FOR
EVALUATION OF
DELIVERY SYSTEMS

interrelationships to be evaluated. Possible measures were also proposed, and some data sources were identified.

B. Refinement of the Analytic Model

The next step is to refine this model. The current delivery system is used as a reference point, since the analysis focuses on the differential effects of alternatives. Refinement of the model involves the following steps:

- Step 1: Specify the current delivery system in the form of input-process-output (IPO) chains.
- Step 2: Develop independently a detailed list of program features for each program.
- Step 3: Determine which program features influence each delivery system activity.
- Step 4: Determine the intervening variables that are relevant to each delivery system activity.
- Step 5: Determine which effects are influenced by each delivery system activity.
- Step 6: Develop measures for each effect at each delivery system activity.
- Step 7: Find existing data or develop new data sources for each measure.
- Step 8: Develop methods of analysis for each effect at each system step.

This process is presented schematically in Figure 4.

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HYPOTHETICAL PROGRAM
STUDENT APPLICATION SUBSYSTEM
ACTIVITY: SUBMISSION OF FINANCIAL STATEMENT

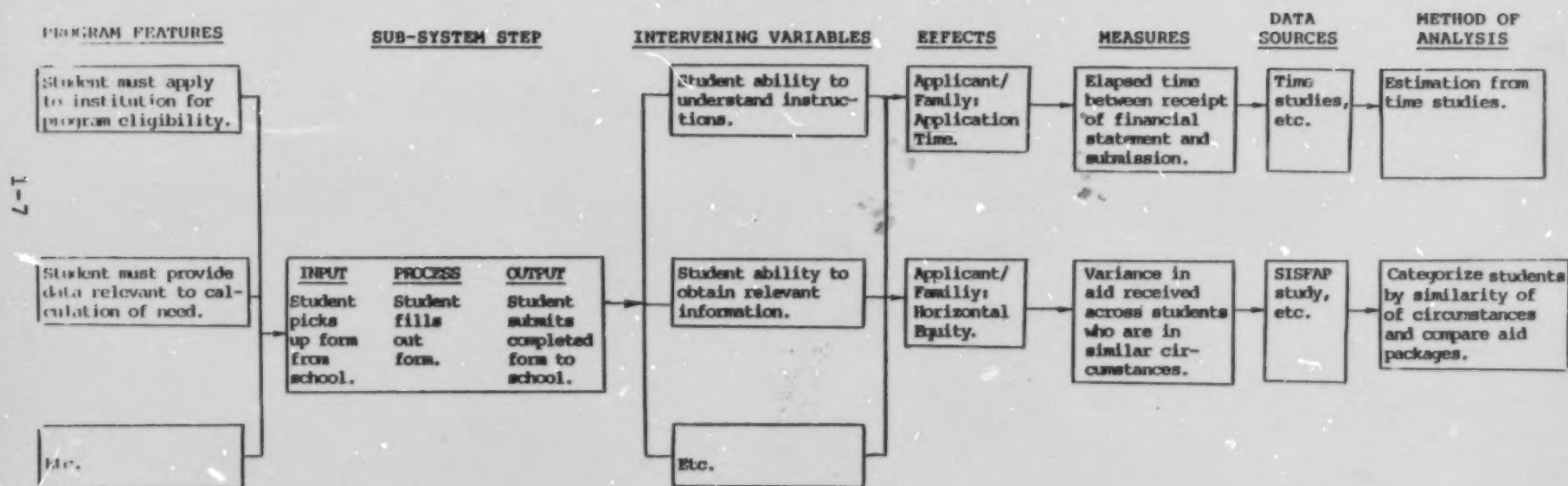


FIGURE 4
SCHEMATIC PRESENTATION OF
REFINEMENT OF THE ANALYTIC MODEL

Following refinement of the model, the project team will conduct the analyses developed in Step 8 to evaluate the current system. Concurrently, the project team will develop alternatives that favor each group of program participants, attempting to hold effects on other participants constant, with the help of CMTF, OSFA and the Technical Advisory Panel. These alternatives will also be analyzed using the logic of the analytic model just presented. Frequent input and review from OSFA will be necessary to ensure the accuracy and completeness of the analytic model and to guide the analyses.

This document is a preliminary version of the first three steps--specification of the current system steps, determination of program features, and analysis of the relationship of program to system features. Because this specification goes beyond what is currently documented, it is presented in varying levels of detail and may include inaccuracies. To correct these deficiencies, this document will be used as a basis for ED interviews, which will be the source of additional information needed for subsequent analytic tasks.

A complete and accurate specification of the current delivery system is necessary

- To assess the effects of the current system
- To identify opportunities for constructive change
- To indicate how alternatives would change the current system
- To aid in the development of an implementation plan for any resulting changes.

The specification of relationships between program and delivery system features is critical to the analytic task. Since a delivery system is designed to implement program features--determined by laws, regulations, policy decisions, and

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historical practices—these features may mandate the inclusion of specific activities in the delivery system. When analyzing delivery system changes, it will be important to determine if the corresponding program features will be affected. If delivery system changes do influence program features, it will be necessary to determine if the changes are desirable. If so, laws, regulations, policy decisions, and historical practices must be altered to implement the new features.

II. METHODOLOGY

The specifications of the three delivery system program components required close collaboration of the project team, whose members were assigned responsibility for the three aid programs under consideration; then the specifications were reviewed by analysts. The three programs analyzed were:

- The Pell Program (formerly the Basic Educational Opportunity Grant Program)
- The Guaranteed Student Loan (GSL) Program
- The Campus-Based Program, which includes the National Direct, and Defense, Student Loan (NDSL) programs, the Supplemental Educational Opportunity Grant Program (SEOG), and the College Work-Study Program (CW-S)

Programs such as the PLUS Auxiliary Loan Program and the State Student Incentive Program are beyond the scope of this analysis. The Federally Insured Student Loan (FISL) Program is not considered as part of the GSL program since the two are almost identical except that ED plays the role of the state guarantee agencies in FISL. FISL is also rapidly decreasing, as almost all the states have developed guarantee agencies. In 1981 FISL represented only 5 percent of total insured student loan volume.

The following sources of information were used to develop specifications for the current system:

- Documentation from previous and ongoing Advanced Technology studies
- Documentation from ED and other sources

- Telephone interviews with ED personnel
- Meetings with Advanced Technology personnel

The project team specified the current system as accurately as possible given these sources of information, dividing the programs into six subsystems:

- Pre-Application
- Student Application
- Student Eligibility Determination
- Student Benefit Calculation
- Fund Disbursement
- Account Reconciliation

These components were then subdivided into activities specific to each program. Then each activity was broken down into a series of steps characterized by input-process-output (IPO) chains. Since many subsystems and activities occur concurrently but differ in purpose, these steps were categorized by type of activity rather than by order of occurrence. However, each IPO chain or system step was treated in chronological order. "Inputs" were defined as activities that initiate a series of processes, "Processes" are activities undertaken in response to the inputs. "Outputs" are documents and/or actions resulting from inputs and processes and may be involved in subsequent steps as input activities.

To determine program features, the project team developed a list of program design questions which must be answered by the legislation, regulations, policy decisions, and historical practices which make up any human services program that

III. DELIVERY SYSTEM SPECIFICATIONS WITH PROGRAM ANTECEDENTS

This analysis considers three major components of the postsecondary student aid delivery system: Pell, GSL, and Campus-Based. The Pell program is a grant program that entitles financially needy students to Federal grant money. GSL is a loan program that relies primarily on incentives to private sector lenders to provide low interest loans to students who may not have sufficient credit or assets to borrow on their own. Campus-Based includes three programs. SEOG gives schools a grant fund to help financially needy students pay educational costs; CW-S attempts to promote part-time student employment through wage subsidies for those who need to finance their education; and NDSL provides schools with loan funds for long-term, low interest loans to financially needy students. In general, these programs all focus on promoting access to higher education.

A. Overview

These programs, while similar, are different enough to require individualized delivery system activities. The major similarities and differences are highlighted in the following section.

The Pre-Application Subsystem

Similarities

- For all three programs the institution must first establish eligibility, then be certified and periodically recertified as administratively capable and financially responsible to participate in the Title IV programs.
- For all three programs, ED has some responsibility for forward planning, in particular, for promulgating program regulations, developing forms, and processing procedures.

Dissimilarities

- For the Campus-Based Program, institutions must submit an annual application to ED for funds.
- For the GSL program, lenders must also apply for eligibility, and state guarantee agencies are delegated operational responsibility for some forward planning procedures.
- The Pell Grant and GSL programs are quasi-entitlement. Any student who meets the eligibility requirements receives a Pell grant; any eligible student who secures a loan receives the GSL guarantee. As long as need is demonstrated in GSL, the student is also eligible for loan subsidies. Funding is established based on forecasts of eligible participants, award amounts, and subsidy payments for both programs.

The Student Application Subsystem

Similarities

- The institution plays a major role in student application procedures for all three programs.

Dissimilarities

- Student application procedures for Pell Grant and Campus-Based aid are essentially congruent. In fact, under Multiple Data Entry many students apply for these sources of aid on a single application form.

- Student application procedures differ substantially in the GSL program, with more of the burden resting with the student and the lending institution.
- For the Campus-Based programs, a student must file application with the institution and complete a financial statement and submit it to processor. The Pell application process is relatively similar to the Campus-Based.
- All Pell Grant and many Campus-Based applications are processed by central need analysis organizations. No central application processing exists for GSL applications.

The Student Eligibility Determination Subsystem

Similarities

- For all programs, the institution must certify the eligibility of the aid applicant prior to the disbursement of funds.
- Nearly all student eligibility requirements are common to all three programs, with one important exception: graduate and professional students are ineligible for Pell Grants or SEOG awards. For all three programs, applicants must demonstrate need, although the definition of need varies across programs.

Dissimilarities

- In the Pell program institutions must validate the information on a sample of applications selected by ED. No validation requirement was in effect in 1981-82 for the Campus-Based programs, although ED has proposed such a provision for 1982-83.

The Student Benefit Calculation Subsystem

Similarities

- For all programs, the institution either calculates or certifies the size of the award.

Dissimilarities

- The amount of latitude the institution has in award determination varies by program. In the Pell program the institution is bound by a federally designed Payment Schedule, a centrally calculated need index, and strict guidelines for determining cost of attendance. For the Campus-Based programs, the institution has more discretion in determining the size of the student's award, subject to maximums. In GSL the school determines award limits subject to Federal regulations and student need, but the actual loan amount is determined by the lender.
- Some institutions use the Pell Grant need analysis formula to determine the magnitude of a student's need for Campus-Based funds. Other need analysis systems used in the Campus-Based programs are roughly similar to the Pell Grant methodology.

The Funds Disbursement Subsystem

Similarities

- All three programs disburse funds to students with at least some involvement of ED and the institution.

Dissimilarities

- Funds flow from ED to the institution is similar in the Pell Grant and Campus-Based programs. Once accounts have been established at EDPMTS, ED's disbursement agent, the institution draws funds on a cash request or letter of credit basis for both programs.
- The procedures the institution uses to pay students in the Pell Grant, SEOG, and NDSL programs are similar: funds are disbursed by check to the student or by credit to the student's account at least twice a year.
- Funds flow and disbursement requirements differ substantially for the CW-S and GSL programs because of the numerous actors involved. The Federal portion of CW-S funds is disbursed directly to the student. Under GSL the lender disburses funds to the student, and the Federal Government disburses subsidies to lenders and guarantee agencies.

The Account Reconciliation Subsystem

Similarities

- All three programs require some sort of reconciliation and reporting to ED. Each program also includes some audit and/or review requirements.

Dissimilarities

- Procedures the institution must follow to adjust for overpayments in the SEOG, NDSL, and CW-S programs are identical, utilizing a single form.
- Because NDSL and GSL are loan programs, collection procedures and requirements are roughly similar, although the focus of responsibility for collection lies with the institution in NDSL and with the lender in GSL.

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- For the Campus-Based programs, the institution does not annually reconcile its accounts with ED on a student-by-student basis. Instead, the institution reports its fiscal activity in aggregate on its application for funds for the subsequent year in the combined FISAP report. In the Pell program, ED maintains a record on each recipient, and the institution must reconcile its account on a per-student basis.
- GSL account reconciliation is unique in its involvement with commercial banks, savings and loan associations, and guarantee agencies, and the elaborate system of interest subsidy, payment of special allowances, and reimbursement for defaults, bankruptcies, deaths, and disabilities.

These similarities and differences are illustrated by Figures 5 through 7, beginning with the application subsystem.

The following sections present charts of the program and system features for the three programs. These charts, following the methodology described in Chapter II, provide detailed information on the characteristics described in the previous section. The table on page 3-8 (Figure 8) lists the activities presented on the charts, highlighting similarities and differences across the three programs.

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PELL GRANT DELIVERY SYSTEM

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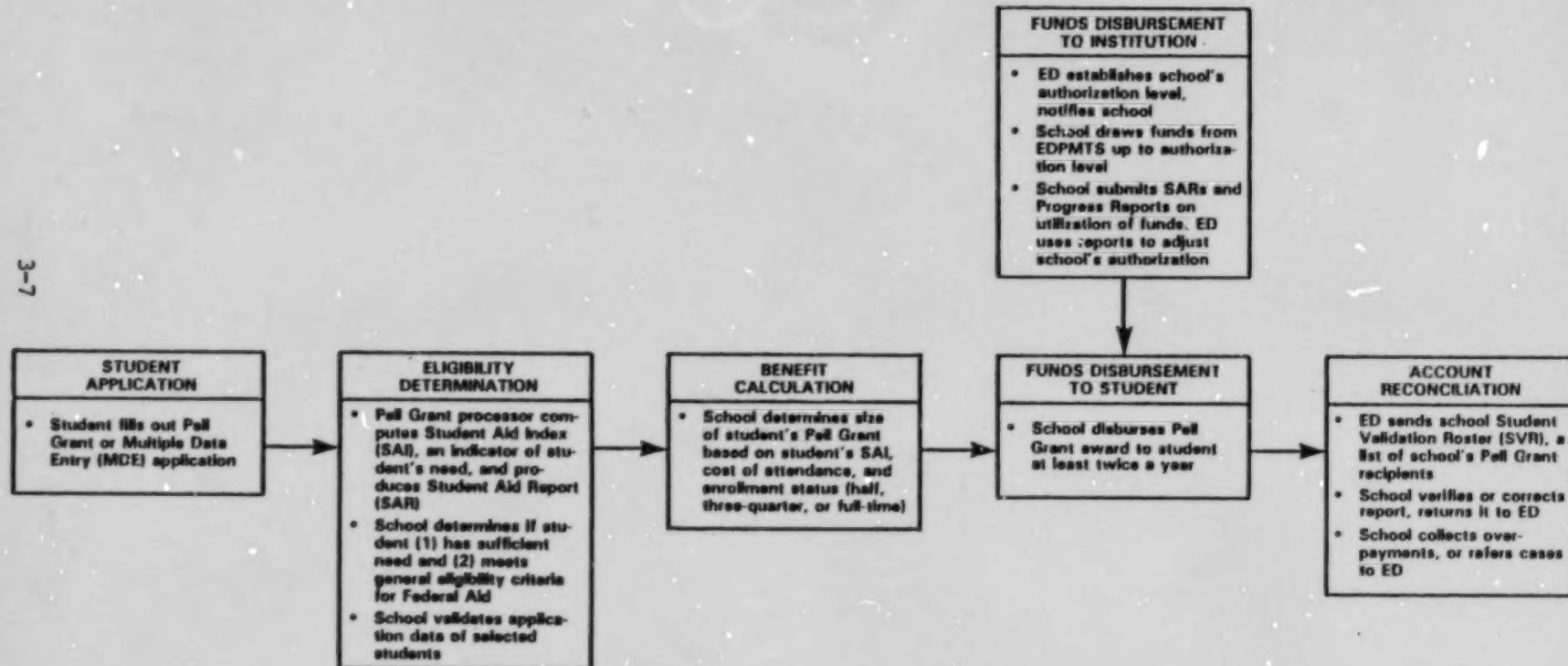
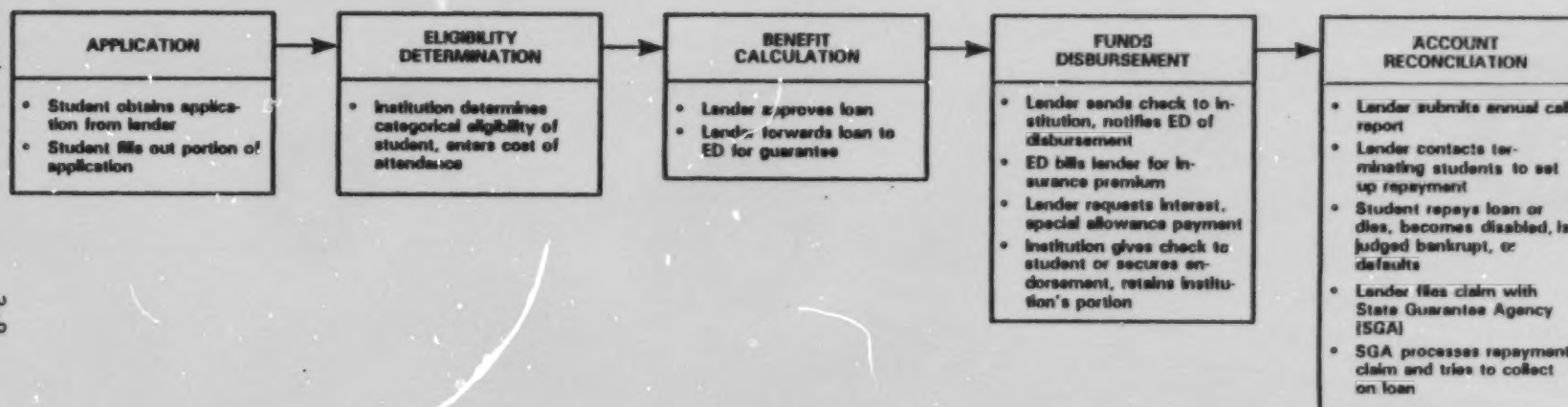


FIGURE 5

PELL GRANT DELIVERY SYSTEM OVERVIEW

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GSL DELIVERY SYSTEM



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FIGURE 6

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CAMPUS-BASED AID DELIVERY SYSTEM

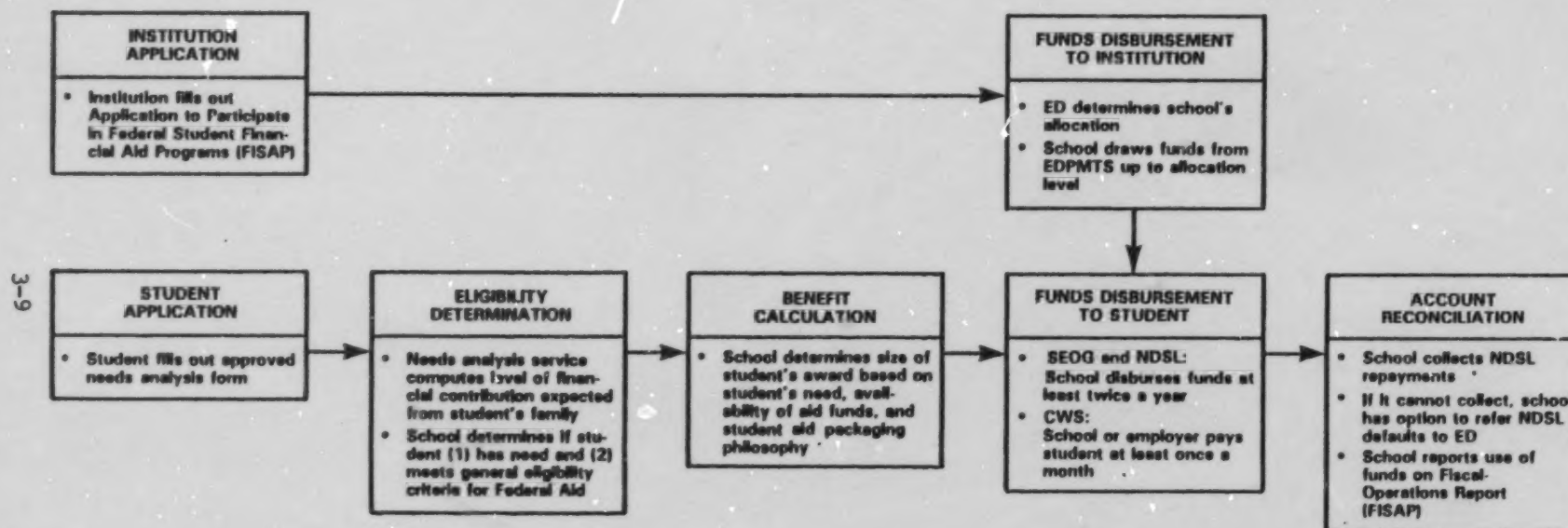


FIGURE 7

CAMPUS-BASED AID DELIVERY SYSTEM OVERVIEW

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FIGURE 8. TABLE OF DELIVERY SYSTEM ACTIVITIES

The following chart lists the activities which are part of the delivery subsystems for the three programs, highlighting activities which are similar across programs by lining them up horizontally. Asterisks (***) indicate no similar activity in that program component. The two digit numbers correspond to the logical order of activities within each program, so that similar activities across programs may not have the same number. "Similarity," as used in this chart, refers to activities that are roughly equivalent in terms of the program requirements, the actors involved, and the relevant system steps. The only activities that are completely identical across all three programs are Institutional Eligibility Determination, and Institutional Certification. This table also serves as a table of contents for the following charts.

SUBSYSTEM	PELL ACTIVITIES	GSL ACTIVITIES	CAMPUS-BASED ACTIVITIES
1. Pre-Application	1.1 Budget Forecasting 1.2 Budget Development 1.3 Promulgation of Regulations 1.4 Forms Development *** 1.5 Institutional Eligibility Determination 1.6 Institutional Certification 1.7 Computer Systems Revision *** *** 1.8 Contract Support *** 1.9 Disbursement System Planning *** 1.10 Institutional Funds Authorization *** *** ***	1.1 Budget Forecasting 1.2 Budget Development 1.3 Promulgation of Regulations 1.4 Forms Development 1.5 GA Forms Development 1.6 Institutional Eligibility Determination 1.7 Institutional Certification *** 1.8 Lender Eligibility Determination *** *** *** *** *** *** ***	*** 1.1 Budget Development 1.2 Promulgation of Regulations 1.3 Forms Development *** 1.4 Institutional Eligibility Determination 1.5 Institutional Certification *** *** 1.6 Low-Income School List Development *** 1.7 State Allocation *** 1.8 Institutional Application for Funds *** 1.9 Initial Institutional Allocation 1.10 Appeal of Initial Allocation 1.11 Final Allocation
2. Student Application	*** 2.1 Student Application	*** 2.1 Student Application	2.1 Financial Statement Processing 2.2 Student Application

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FIGURE 8. TABLE OF DELIVERY SYSTEM ACTIVITIES (Continued)

SUBSYSTEM	PELL ACTIVITIES	GSL ACTIVITIES	CAMPUS-BASED ACTIVITIES
3. Student Eligibility Determination	3.1 Student Eligibility Determination 3.2 Validation ***	3.1 Student Eligibility Determination *** ***	3.1 Student Eligibility Determination *** 3.2 Optional Validation
4. Student Benefit Calculation	4.1 Student Award Calculation (RDS) *** 4.2 Student Award Calculation (ADS) ***	4.1 Determination of Loan Limits *** 4.2 Determination of Loan Amount ***	4.1 Student Award Calculation *** ***
5. Fund Disbursement	5.1 Establishment of Letter Credit *** 5.2 Establishment of Cash Request *** 5.3 Disbursement to Institution *** 5.4 Disbursement to Student (RDS) *** 5.5 Disbursement to Student (ADS) *** *** *** ***	5.1 Issuance of Promissory Note *** 5.2 Loan Deductions *** 5.3 Guarantee Approval *** 5.4 Loan Disbursement *** 5.5 Interest and Special Allowance Payment *** 5.6 Administrative Cost Allowance Payment ***	5.1 Establishment of Letter Credit *** 5.2 Establishment of Cash Request *** 5.3 Award Acceptance *** 5.4 SEOG Disbursement *** 5.5 NDSL Disbursement *** 5.6 CW-S Disbursement

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FIGURE 8. TABLE OF DELIVERY SYSTEM ACTIVITIES (Continued)

SUBSYSTEM	PELL ACTIVITIES	GSL ACTIVITIES	CAMPUS-BASED ACTIVITIES
6. Account Reconciliation			
	6.1 Student Account Reconciliation ***	***	***
	***	6.1 Note Transfer or Servicing Contract *** ***	*** 6.1 SEOG Reconciliation ***
	6.2 Institutional Account Reconciliation *** *** ***	6.2 Enrollment Status Reporting ***	*** 6.2 CW-S Reconciliation ***
	***	6.3 Entrance into Grace and/or Deferment Period ***	6.3 NDSL Repayment ***
	***	6.4 Development of Repayment Schedule ***	6.4 Repayment Deferral ***
	***	6.5 Loan Repayment ***	6.5 NDSL Cancellation ***
	***	6.6 Loan Default ***	6.6 NDSL Default ***
	***	6.7 Loan Write-off ***	6.7 NDSL Reconciliation ***
	***	6.8 GA Reporting ***	6.8 Program Review and Audit ***
	6.3 Program Review and Audit *** ***	6.9 Lender Review ***	6.9 ED Program Review

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B. THE PELL PROGRAM DELIVERY SYSTEM COMPONENT

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PELL GRANT COMPONENT

1. PRE-APPLICATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
1.1 Budget Forecasting	1.1 • Program is quasi-entitlement; all students meeting eligibility and need criteria are entitled to a basic grant, the amount of which is determined by amount of appropriations and established payment schedules. • Program is forward funded. • Appropriations are determined annually by Congress. The estimated number of eligible recipients and the established minimum/maximum grant award schedule are considered in determining appropriations.	1.1.1 • DPPD and OPBE develop fund forecast model	• Expenditures are forecast for award year using estimated number of recipients, prior grant award schedule, and previous appropriations. • Impact of various levels of funding on program participants is predicted.	• Budget forecast developed.

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PELL GRANT COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.2 Budget Development	1.2 • Congress annually determines appropriations according to specific government-wide procedures. This process is repeated during a fiscal year if appropriations need to be adjusted.	1.2.1 • DPPD/OPBE develops budget.	• Budget request is developed based on forecast model, administration's programmatic and fiscal priorities, and expected appropriations. • Budget approved through OFSA, OPBE, and ED Secretary.	• Initial ED budget document developed.
		1.2.2 • ED submits budget to OMB.	• OMB reviews budget.	• Budget document approved/revised by OMB.
		1.2.3 • OMB submits budget to Congress.	• Congress reviews, debates, revises budget or approves. • Congress appropriates funds.	• Budget approved, funding level established, and funds appropriated.

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PELL GRANT COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.3 Promulgation of Regulations	1.3 • ED has authority to administer program and promulgate regulations. • Regulations include annual program requirements and revisions, eligibility and financial need criteria, Expected Family Contribution Schedule, and need analysis formula. • Regulations must be promulgated annually.	1.3.1 • Congress establishes through legislation program intent, basic eligibility criteria, authority of ED to administer program and promulgate regulations.	• DPPD drafts regulations • DPPD sends draft through OFSA, OPE, OPBE to ED Secretary for revision or approval.	• NPRM published in <u>Federal Register</u> .
		1.3.2 • Public responds to published NPRM.	• ED revises proposed regulations as necessary.	• Proposed regulations submitted to OMB.
		1.3.3 • OMB receives proposed regulations.	• OMB reviews regulations.	• OMB-approved or revised regulations returned to ED.
		1.3.4 • ED submits proposed regulations to Congress.	• Congress reviews regulations. • Congress either disallows regulations (in which case they are revised and resubmitted) or allows them to stand.	• Final regulations published in <u>Federal Register</u> annually.

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PELL GRANT COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.4 Forms Development	1.4 • Program activities must be documented. • Forms must be developed for ED reporting, processing, and record-keeping, including: - Request for Institutional Eligibility - Pell Grant Application - Authorization Letter - Request for Payment - Student Aid Report - Progress Report •	1.4.1 • DPPD and DPO determine data needed for ED processing and record keeping.	• DPPD and DPO determine changes in forms and instructions.	• Requests for changes in forms and instructions submitted to FEDAC.
		1.4.2 • FEDAC reviews forms and instructions.	• FEDAC accepts or rejects proposed changes.	• Approved forms returned to ED.
		1.4.3 • DPPD establishes printing quantities and submits requisitions to GPO.	• GPO delivers forms to DPPD.	• Forms delivered to relevant participants by DPPD.

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PELL GRANT COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
1.5 Institutional Eligibility Determination	1.5 • To administer Title IV programs, institutions must be determined by ED to be eligible under congressionally established criteria. • Different eligibility criteria are used for: -Traditional higher education institution -Proprietary institution -Postsecondary vocational institution	1.5.1 • Institution completes and submits Request for Institutional Eligibility (ED 1059).	• Eligibility and Agency Evaluation Staff (EAES) of OPE reviews form and documentation to establish eligibility according to legislation and regulations, requesting additional information if necessary.	• Eligibility Certification Letter issued by EAES if institution is eligible.

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PELL GRANT COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.6 Institutional Certification	1.6 • To administer Title IV programs, institutions must be certified by ED as administratively capable and financially responsible.	1.6.1 • Institution submits documents and financial statements required for certification.	• DCPR Institution and Lender Certification Branch (ILCB) reviews documents and determines institution to be capable and responsible.	• Program Participation Agreement issued by ILCB to institution.
	• To administer Title IV programs, institutions must agree to comply with legislative and regulatory provisions, that is, -To comply with Student Assistance General Provisions -To comply with Civil Rights and Title IV regulations -To provide information on financial aid programs, the institution, and academic programs -To audit student financial aid programs biennially, using ED guidelines -To maintain systematically organized records and to make the records available to ED on request. • Institutions must be recertified every three years.	1.6.2 • Institution receives Program Participation Agreement. 1.6.3 • DCPR/ILCB receives Agreements	• Institution signs Agreement, agreeing to administer programs under Congressionally and ED-specified conditions. • DCPR/ILCB compiles annually list of institutions certified to administer programs.	• Signed Agreement sent to DCPR/ILCB • List of certified institutions annually established.

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PELL GRANT COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.7 Computer Systems Revision	1.7 • Grant payments to students must be made through processing methods established by ED. • ED must maintain records on participating institutions and on individual grant recipients. • ED annually must revise processing systems to reflect legislative and administrative changes.	1.7.1 • DPPD reviews computerized administrative systems.	• DPPD revises systems as needed to reflect legislative, regulatory, and budgetary changes: -Develops Central Processing requirements -Develops manual and computer editing criteria -Develops standard response manual, form letters -Develops institution delivery system -Develops Pell Grant formula requirements	• Program Administration and monitoring systems revised.
		1.7.2 • DPPD or DPO tests revised computer systems.	• DPPD or DPO tests application processing system, applicant history corrections system, MDE system, modifies disbursement system interfaces.	• Revised program administration and monitoring systems tested and implemented.

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PELL GRANT COMPONENT

I. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.7 Computer Systems Revision	1.7 • Grant payments to students must be made through processing methods established by ED. • ED must maintain records on participating institutions and on individual grant recipients. • ED annually must revise processing systems to reflect legislative and administrative changes.	1.7.1 • DPPD reviews computerized administrative systems.	• DPPD revises systems as needed to reflect legislative, regulatory, and budgetary changes: -Develops Central Processing requirements -Develops manual and computer editing criteria -Develops standard response manual, form letters -Develops institution delivery system -Develops Pell Grant formula requirements	• Program Administration and monitoring systems revised.
		1.7.2 • DPPD or DPO tests revised computer systems.	• DPPD or DPO tests application processing system, applicant history corrections system, MDE system, modifies disbursement system interfaces.	• Revised program administration and monitoring systems tested and implemented.

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PELL GRANT COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
1.7 Computer Systems Revision (cont.)		1.7.3 • DPPD or DPO reviews applicant tape/file specifications.	• DPPD or DPO reviews applicant roster and tape specifications. • DPPD or DPO develops eligible applicant file specifications. • DPPD develops state rosters.	• Program rosters established; applicant specifications developed.
		1.7.4 • DPO reviews RDS and ADS disbursement systems.	• DPO revises RDS and ADS disbursement processing systems to reflect legislative, regulatory, and budgetary changes.	• Revised RDS and ADS disbursement systems implemented.
		1.7.5 • DPO reviews RDS and ADS processing systems.	• DPO revises RDS accounting systems, Progress Report, and SAR processing system. • DPO revises ADS 304 form processing system.	• Revised RDS and ADS accounting and processing systems implemented.

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PELL GRANT COMPONENT
1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.8 Contract Support	1.8 • ED may accomplish administrative functions through contractors. • ED must obtain contract support through government-wide contracting methods and requirements.	1.8.1 • DPO reviews administration needs and current contract support.	• DPO determines need for contract support. • DPO obtains clearances for awarding contracts. • DPO develops RFPs, submits to AMPS for clearance.	• RFPs for needed contract support issued. • Contracts awarded for: -Regular Disbursement System software -Regular Disbursement System Data Entry -Alternate Disbursement System support -PIM (Disbursement) system -Data Entry support
		1.8.2 • DPO/AMPS receives proposals.	• DPO/AMPS receive, review, evaluate proposals. • DPO/AMPS negotiate contract awards.	

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PELL GRANT COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.9 Disbursement System Planning	1.9 • ED must administer grant program through participating institutions (Regular Disbursement System) or must disburse funds directly to recipients (Alternate Disbursement System). • ED must annually review data elements, program forms, and processing procedures to reflect legislative and administrative changes.	1.9.1 • DPO reviews financial procedures.	• DPO obtains allotment and CANs from ED Finance. • DPO obtains final payment schedule from DPPD and reviews payment schedule instructions. • DPO reviews fund initialization requirements for RDS and revises as needed.	• Financial procedures revised
		1.9.2 • DPO compiles data elements required for RDS program's participating institutions.	• DPO requests stop-action/problem school list from DCPR/ILCB. • DPO compiles list of institutions to be funded under RDS and sends list to ILCB for certification.	• Required data obtained and compiled for RDS participating institutions.

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PELL GRANT COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
1.9 Disbursement System Planning (cont.)		Inputs	Processes	Outputs
		1.9.3 • DPO reviews program administration procedural steps and forms.	• DPO verifies handling procedures for Special Requests. • DPO confirms EDFMIS processing requirements. • DPO develops recipient exchange manual for RDS. • DPO develops ADS handbook. • DPO develops authorization letter form, Progress Report form and instructions for RDS. • DPO develops 304 and 304-1 forms and instructions for ADS. • DPO develops Student Validation Roster (SVR) procedure.	• Procedures established and forms created for grant administration.

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PELL GRANT COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
1.10 Institutional Funds Authorization	1.10 • Institutions receive funding amount each award year based on annual congressional appropriation, and formula is developed annually by ED and approved by Congress.	1.10.1 • ED PIM Disbursement System determines by formula (considering congressional appropriation, number of certified institutions, estimated number of eligible grant recipients) an estimate of funds each institution requires for first quarter of award year.	• PIM Disbursement System notifies institutions of Initial Authorization amount (through ED Financial Management Information System (EDFMIS) and ED Payment System (EDPMTS)).	• Initial Authorization notification sent to institution.

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PELL GRANT COMPONENT

2. STUDENT APPLICATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
2.1 Student Application	2.1 • Students must file a single application annually, through an authorized Processor, to receive a Pell Grant. Authorized Processors include the Pell Grant Central Processor and the various MDE Processors.	2.1.1 • Student obtains application form.	• Student and/or parents fill out either Pell Grant application form or one of the MDE application forms.	• Application completed by student.
	• Student must file application with Processor between January 1 prior to the academic year and March 15 of the academic year to be eligible for a grant for each award year • Application contains demographic and financial data used by Processor and institution to determine eligibility and financial need.	2.1.2 • Student sends completed application to appropriate Processor.	• If application sent to MDE Processor, appropriate data are forwarded to Pell Grant Central Processor. • Central Processor passes application data through series of computer checks. • If application is determined to be incomplete or inconsistent, Central Processor returns to student for clarification.	• Notice of error/insufficiency sent to student, if necessary.

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PELL GRANT COMPONENT

2. STUDENT APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
2.1 Student Application (cont.)		2.1.3 • If student receives notice of error or insufficiency, student and/or parents revise applications as requested.	• Student resubmits application to Central Processor.	• Application passed through series of computer checks for consistency and completeness by Processor.

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PELL GRANT COMPONENT

3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
3.1 Student Eligibility Determination	3.1 • To be eligible for a Pell Grant students must meet basic eligibility criteria established by law and regulations: -U.S. citizen, national, or permanent resident -No bachelor's degree -Enrolled in an eligible program and institution -Enrolled at least half-time -Maintain satisfactory academic standing -Owe no Title IV grant repayment at the same institution -Owe no Title IV loan default at same institution -Not fully supported by a religious order -File a Statement of Educational Purpose -File a financial aid transcript -Demonstrate financial need	3.1.1 • Processor retains application after checking it for completeness and consistency.	• Processor checks application data against established criteria to determine basic eligibility. • Using financial data from application, Processor calculates Student Aid Index (SAI), indicating financial need. • Processor compiles Student Aid Report (SAR) for each applicant, indicating eligibility status and SAI.	• SAR sent to applicant by Processor.

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PELL GRANT COMPONENT

3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
3.1 Student Eligibility Determination (cont.)	• To be eligible for a grant, students must demonstrate financial need exists between ability to pay for, and cost of, education expenses. Congress and ED establish financial need criteria: -Dependency status -Adjusted gross income -Wage income -Social Security benefits -Other nontaxable income -Veteran's educational benefits -Home/business/investment assets -Cash/savings/checking -Federal income taxes paid -Household size -Number attending postsecondary institution -Parents'/student's marital status -Older parent's age -Medical expenses -Other educational expenses -Dependent student's income/assets	3.1.2 • Student submits SAR to institution in application for Pell Grant.	• Institution reviews SAR data, using federally established criteria. • Institution reviews applicant's SAR against its established cost of instruction.	• Final eligibility and adequate financial need for student applicant is determined by institution.

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PELL GRANT COMPONENT

3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
3.2 Validation	3.2 • Data submitted to establish eligibility must be verified by the student upon request of the institution. • Verifying documentation must be supplied to Central Processor (if necessary) by July 15 and to Institution by August 15 of the award year.	3.2.1 • Control Processor flags SARs containing questionable or inconsistent data for validation by institution.	• Institution processes SARs, noting those flagged by Processor for validation and determining those containing questionable data when reviewed against institutional criteria.	• Validation request issued by institution for flagged or questionable SARs.
		3.2.2 • Student receives validation request from institution.	• Student and/or parents must supply verifying documentation to Central Processor if requested, or to institution by established deadline. • If verifying documentation is sent to Processor, Processor complies revised SAR and sends it to institution.	• Institution ceives documentation and/or revised SAR.
		3.2.3 • Institution reviews verifying documentation and/or revised SAR.	• Institution determines accuracy and consistency of documentation. • Institution processes revised SAR.	• SAR is validated and student certified as eligible for grant by institution.

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PELL GRANT COMPONENT

4. STUDENT BENEFIT CALCULATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
4.1 Student Award Calculation (Regular Disbursement System)	4.1 • Institution determines grant amount for eligible students using established criteria: -Enrollment status -Expected family contributions -Cost of attendance • Congress authorizes minimum/maximum grant awards, SAI cutoff, reduction schedules. • ED determines Pell Grant Payment Schedule, institutional funding.	4.1.1 • Institution determines amount of grant award. 4.1.2 • Student receives award notification.	• Institution determines size of student's grant using ED's Pell Grant Payment Schedule. • Institution determines number of individual (equal) disbursements. • Institution sends award letter to student. • Student signs award letter and returns to institution.	• Award notification sent to student by institution. • Signed award letter returned to institution by student.

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PELL GRANT COMPONENT

4. STUDENT BENEFIT CALCULATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
4.2 Student Award Calculation (Alternate Disbursement System)	4.2 • A relatively small number of students (approx. 35,000) receive Pell Grants under the Alternate Disbursement System. These students attend institutions which cannot or choose not to calculate and disburse grant awards. Under ADS, ED acts as the financial officer, calculating awards and issuing payments directly to the students.	4.2.1 • Student sends eligible SAR to ED ADS Processor (along with ADS form 304 - see step 5.5.1 below)	• ADS Contractor determines amount of grant, using Pell Grant Payment Schedule. • ADS Contractor determines number of disbursements to student.	• Notice of initial award amount and ADS form 304-1 (Request for Additional Payments) sent to student. Copies sent to institution and ED ADS Section. Payment tape also sent to ED ADS Section.

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PELL GRANT COMPONENT

5. FUNDS DISBURSEMENT SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
5.1 Establishment of Letter of Credit	5.1 • Institutions may choose to receive Federal payments through the Letter of Credit payment method. ED authorizes the institution to draw funds as needed (up to the established ceiling) from: -Federal Reserve System -Federal Reserve Bank -Local commercial bank	5.1.1 • Institution requests Letter of Credit payment method from ED.	• EDPMTS makes special arrangements with Federal Reserve or local bank to handle institution's account.	• Account established.
5.2 Establishment of Cash Request System	5.2 • Institutions may choose to receive Federal payments through the Cash Request System payment method. ED authorizes institutions to draw funds monthly, directly from the Federal Government, under guidelines: -Institutions must request funds needed; funds are not advanced automatically. -Cash Request System is for all programs EDPMTS administers, not Pell Grants only. -Amount of each request cannot exceed combined grant authorization minus all previous monthly payments received for award year.	5.2.1 • Institution requests Cash Request System payment method and submits Initial Request for Funds and Recipient Cash Advance Form (ED 874).	• EDPMTS processes request, authorizes payment, notifies Treasury.	• Cash Request System method established and initial payment authorized.

PELL GRANT COMPONENT
5. FUNDS DISBURSEMENT SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
5.3 Disbursement to Institutions	5.3 • ED must disburse payments to participating institutions at specified times during the award year for implementation of the program. • Institutions must request payment from ED through established Letter of Credit or Cash Request System methods. • Under RDS, institutions administer program and make grant payments to students. • Institutions required to submit progress reports and collected SARs to ED on October 31, February 28, and June 30 of each award year. • Progress Report shows: -Actual demand for funds as reflected by number of eligible recipients for quarter -Actual funds allocated -Actual grant funds paid to students	5.3.1 • If institution submits Initial Request for Funds through Letter of Credit method, EDPMTS processes request. 5.3.2 • If institution submits Initial Request for Funds through Cash Request System (accompanied by Recipient Cash Advance Form-ED 874).	• EDPMTS notifies Treasury and Institution. • Treasury processes and authorizes Letter of Credit to appropriate financial agency. • Treasury processes and authorizes Letter of Credit to appropriate financial agency. • EDPMTS processes request. • EDPMTS notifies institution of initial payment amount. • EDPMTS notifies Treasury of initial payment amount. • Treasury cuts initial payment to institution.	• Letter of Credit received by financial agency which authorizes expenditures up to ceiling for specified period for institution. • Initial funding received by institution.

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PELL GRANT COMPONENT

5. FUNDS DISBURSEMENT SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
5.3 Disbursement to Institutions (cont.)	The quarterly fund disbursement process may be implemented on an ad hoc basis for any quarter when an institution finds funds are not sufficient to carry out the program until the next regularly scheduled adjustment. To receive interim funding, the institution submits an Ad Hoc Progress Report and SARs to ED.	5.3.3 • Institution receives initial disbursement.	• Institution makes grant payments to students.	• Quarterly Progress Reports and to ED by institution
		5.3.4 • ED receives quarterly reports.	• PIM (Disbursement) System process Progress Report, notifies institution of Adjusted Authorization for next quarter (through EDFMIS and EDPMTS).	• Subsequent authorizations determined by ED.
		5.3.5 • Institution receives Adjusted Authorization.	- Institution completes Periodic Request for Funds and Recipient Report of Expenditures (ED 868). - Cash Request System institution also completes Cash Reconciliation Statement.	• Periodic funding submitted to ED by institutions.
		5.3.6 • ED receives quarterly payment request and reports.	- EDPMTS processes request through Letter of Credit or Cash Request System: -EDPMTS authorizes payment -EDPMTS notifies Treasury and institution - Treasury authorizes Letter of Credit or makes direct payment.	• Institution receives subsequent funding.

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PELL GRANT COMPONENT

5. FUNDS DISBURSEMENT SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
5.4 Disbursement to Student (RDS)	5.4 o Under RDS, institution makes grant payment to student by check, by crediting account, or both. o Payment must be disbursed at least twice a year.	5.4.1 o Institution receives signed award letter.	o Institution disburses grant award payment to student by check, by crediting student's account, or both.	o Student receives Pell Grant payments.
3-37 5.5 Disbursement to Student (ADS)	5.5 o Under ADS, ED makes grant payment directly to student through U.S. Treasury. o Payment must be disbursed at least twice a year.	5.5.1 o Student submits "Request for Payment of Pell Grant" (ED form 304) to institution for initial payment, and periodically submits ED form 304-1 to institution for subsequent payments. 5.5.2 o ED ADS Section forwards tape to EDPMTS (see step 4.2.1 above).	o Institution verifies student attendance by completing Part B of ED 304 or 304-1. o EDPMTS reviews tape and submits it to Treasury. o Treasury cuts check and sends to student.	o Institution submits ED 304 or 304-1 to ADS Contractor. o Student receives Pell Grant payment.

PELL GRANT COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
6.1 Student Account Reconciliation*	6.1 • Institution must maintain accurate accounting records of disbursements. • Institution must maintain records on each grant recipient for each award year. • Institution is liable for overpayments to students and must collect overpayment or reconcile from own funds.	6.1.1 • Institution maintains records of payments and compiles records of grant award recipients for award year.	• At end of award year, institution and reviews records determines grant amount disbursed to each recipient is correct.	• Institution closes student account for award year.
		6.1.2 • If institution makes overpayment to student due to change in enrollment status, etc., institution must recover overpayment.	• Institution may - Adjust subsequent disbursements during award year - Contact recipient and collect overpayment - Refer case to ED for resolution. or institution reconcile overpayment from institutional funds.	• Institution reconciles account for each recipient

*The student account reconciliation process is the same for ADS students as for RDS students, except ED, not the institution, is the actor under ADS.

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PELL GRANT COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
6.2 Institutional Account Reconciliation	6.2 • Institution must maintain accounting records and recipient records for the award year.	6.2.1 • Institution submits end of award year Progress Report to ED.	• PIMS produces initial Student Validation Roster (SVR) based on institution's submission of SARs and Progress Reports to date.	• Initial SVR issued to institution.
	• Institution must report all program expenditures to ED at end of award year. • Institution must account for all expenditures at end of award year. • ED reconciles institution's account at the end of each award year by producing a Student Validation Roster (SVR) which -Collects adjustments and corrections to data originally provided on SARs -Obtains institutional verification of amount of Pell funds actually disbursed to each recipient -Reconciles institutional expenditures of Pell funds	6.2.2 • Institution receives initial SVR from ED. 6.2.3 • ED receives verified SVR from institution.	• Institution verifies or corrects data on SVR based on own records. • PIMS processes final SVR, notifies institution of account reconciliation (through EDFMIS and EDPMTS).	• Verified SVR sent to ED. • EDPMTS closes institution's account.

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PELL GRANT COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
6.3 Program Review and Audit	6.3 • To administer program, institution must agree to maintain accurate records, to audit program expenditures biennially, and to make records available upon request to ED.	6.3.1 • ED initiates audit/program review.	• Institution supplies financial/program records as required.	• Program review/audit report issued by ED.
	• ED legally authorized to conduct financial audit and program review.	6.3.2 • Institution receives ED report.	• ED reviews records for accuracy, consistency, completeness, and compliance with law.	• Institution makes necessary program changes, financial restitutions (if required).
			• Institution's program and expenditures revised.	

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C. THE GSL PROGRAM DELIVERY SYSTEM COMPONENT

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1. PRE-APPLICATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.1 Budget Forecasting	1.1 • Program is quasi-entitlement; all students meeting eligibility requirements are entitled to loan guarantee, and all students who demonstrate need are entitled to loan subsidies. However, the student is responsible for locating a loan source. • Appropriations are determined annually by Congress and adjusted when necessary. Appropriations are determined by interest and special allowance rates which are set annually and by forecasts of loan volume and default/write-off rates.	1.1.1 • Division of Policy and Program Development (DPPD) and Office of Planning, Budget, and Evaluation (OPBE) develop fund forecast model.	• Expenditures are forecast for award year using possible interest and special allowance rates, estimates of loan volume, and estimates of default and write-off rates.	• Budget forecast developed.

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
1.2 Budget Development	1.2 • Congress annually determines appropriations according to specific government-wide procedures. This process is repeated during a fiscal year if appropriations need to be adjusted.	1.2.1 • DPPD/OPBE develops budget based on estimates from forecast model and on interest and special allowance rates chosen to fit policy decisions and priorities.	• Budget approved through OFSA, OPBE, and ED Secretary.	• Initial ED budget document completed.
	• See features listed under 1.1 above.	1.2.2 • ED submits budget to OMB.	• OMB reviews and revises or approves budget.	• Budget document revised/approved.
		1.2.3 • OMB submits Administration's budget to Congress.	• Congress reviews, debates, revises, or approved budget. • Congress appropriates funds.	• Budget approved and funding level established and funds appropriated.

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.3 Promulgation of Regulations	1.3 • ED has authority to administer program and promulgate regulations. • Regulations must be promulgated annually, covering program features such as interest rates, need analysis algorithm, family contribution schedule, data items required, and procedures.	1.3.1 • Congress establishes through legislation: program intent, basic eligibility criteria, authority of ED to administer program, and promulgate regulations.	• DPPD drafts regulations. • DPPD sends draft through OFSA, OPE, OPBE to ED Secretary for revision or approval.	• NPRM published in <u>Federal Register</u> by ED.
		1.3.2 • Public responds to published NPRM.	• ED revises proposed regulations as necessary.	• Proposed regulations submitted to OMB by ED.
		1.3.3 • OMB receives proposed regulations.	• OMB revises or approves regulations.	• OMB-approved regulations returned to ED.
		1.3.4 • ED submits proposed regulations to Congress.	• Congress reviews regulations • Congress either disallows regulations (in which case they are revised and resubmitted) or allows them to stand.	• Final regulations published in <u>Federal Register</u> .

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
1.4 Forms Development	1.4 • Program activities must be documented. • Forms must be developed for ED reporting, processing and recordkeeping, including Request for Interest and Special Allowance Payments, GA Quarterly Report, School Confirmation Report, and Request for Institutional Eligibility. • ED is required to maintain summary statistics on program, to calculate interest and special allowance subsidies, and to process claims under reinsurance provisions, etc.	1.4.1 • DPPD and DPO determine data needed for ED processing and recordkeeping.	• DPPD and DPO determine changes in forms and instructions.	• Requests for changes in forms and instructions submitted to FEDAC.
		1.4.2 • FEDAC reviews forms instructions.	• FEDAC accepts or rejects proposed changes	• Approved forms returned to ED.
		1.4.3 • DPPD establishes printing quantities and submits requisition to GPO.	• GPO delivers forms to DPPD.	• Forms delivered to relevant participants by DPPD.

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.5 GA Forms Development	1.5 • The State Guarantee Agency (GA) is the authorized Federal agent for GSL and is given responsibility for acting as a middleman between lenders, institutions, and ED. GA is required to keep detailed program statistics and to process applications, insurance guarantees, claims, etc.	1.5.1 • DPPD and DPO determine data items for GA forms according to regulations.	• GA designs forms for its use that include mandated data items, including student application form and Lender Transaction Statements (LTS).	• GA forms are published and distributed.
1.6 Institutional Eligibility Determination	1.6 • To administer Title IV programs, institutions must be determined by ED to be eligible under congressionally established criteria. • Different eligibility criteria are used for: - Traditional higher education institutions - Proprietary institutions - Postsecondary vocational institutions.	1.6.1 • Institution completes and submits Request for Institutional Eligibility (ED 1059).	• Eligibility and Agency Evaluation Staff (EAES) of OPE review form and documentation to establish eligibility according to legislation and regulations, requesting additional information if necessary.	• Eligibility Certification Letter issued to institution if eligible.

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GSE COMPONENT

1. PRE-APPLICATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS
		<u>Inputs</u> <u>Processes</u> <u>Outputs</u>
1.7 Institution Certification	1.7.1 • To administer Title IV programs, institutions must be certified by ED as administratively capable and financially responsible. • To administer Title IV programs, institutions must agree to comply with legislative and regulatory provisions, that is: - To comply with Student Assistance General Provisions - To comply with Civil Rights and Title IV regulations - To provide information on financial aid programs, the institution, and academic programs - To audit student financial aid programs biennially, using ED guidelines - To maintain systematically organized records and to make the records available to ED upon request - To be recertified every three years.	1.7.1 • Institution submits documents and financial statements required for certification. 1.7.2 • Institution receives Program Participation Agreement. 1.7.3 • ICLB/DCPR receives agreements. • Institution and Lender Certification Branch (ILCB) of DCPR reviews documents and determines institution to be capable and responsible. • Institution signs Agreement, agreeing to administer programs under congressionally and ED-specified conditions. • ICLB/DCPR compiles list of institutions certified to administer programs. • Program Participation Agreement issued to institution if eligible. • Signed Agreement sent to ICLB/DCPR. • Annual list of certified institutions established.

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
1.8 Lender Eligibility Determination	1.8 • GA is the authorized Federal agent for GSL and is required to monitor lenders. • Lenders must meet eligibility criteria and agree to comply with recordkeeping and reporting requirements. • Schools may be lenders of last resort, or have an origination relationship where the school distributes loan funds from lenders. Eligibility requirements differ for lenders who are schools rather than private organizations.	1.8.1 • Lender applies to GA for GSL eligibility.	• GA reviews application and approves or disapproves eligibility.	• Lender contract negotiated by Lender and GA if Lender is eligible.

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GSL COMPONENT

2. STUDENT APPLICATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
2.1 Student Application*	2.1 • GA is the authorized Federal agent for GSL and is responsible designing student applications which include mandated data items.	2.1.1 • Student obtains application from GA, lender, or school.	• Student fills out relevant portion of application.**	• Application is submitted to eligible school by student.
	• Student is required to supply personal financial data to determine eligibility for loan guarantee and to demonstrate need for loan subsidies.	2.1.2 • School fills out relevant portion of application.	• School verifies enrollment information.	• Application is returned to student, or retained by school.
	• School is required to supply enrollment, other aid, cost of attendance and eligibility information for award calculation, and to verify enrollment status.	2.1.3 • Lender retains application after determining award amount.	• Lender fills out relevant portion of application if loan is approved.	• Completed application is temporarily retained by lender (see Step 5.3.1).
	• Lender is required to supply information on amount of loan.			

* Certain eligibility determination and award calculation steps occur concurrently with these application steps. These items are covered under the relevant components on the following pages.

**Student is responsible for notifying lender if application information changes.

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GSL COMPONENT

3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
3.1 Student Eligibility Determination	3.1 • School is responsible for determining student eligibility for loan guarantee and loan guarantee and loan subsidy. • To be eligible for a loan guarantee, students must meet basic eligibility criteria established by law and regulations: - U.S.citizen, national, or permanent resident - Enrolled in an eligible program and institution - Enrolled at least half-time - Maintain satisfactory academic standing - Owe no Title IV grant repayment at the same institution - Owe no Title IV loan default at the same institution - Not have outstanding GSL loans that exceed maximums established by law - File a Statement of Educational Purpose - File a financial aid transcript.	3.1.1 • School retains application after fulfilling its responsibilities under the application component.	• School reviews application for compliance with mandated eligibility criteria.	• Student eligibility for loan guarantee is determined.

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GSL COMPONENT

3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
3.1 Student Eligibility Determination (cont.)	3.1 • To be eligible for a loan subsidy, a student must demonstrate need. Need is assumed if AGI is less than \$30,000. If AGI exceeds \$30,000, an approved needs analysis test must be applied to determine need.	3.1.2 • School reviews application for demonstration of need.	• If AGI is more than \$30,000, school applies approved needs analysis test; otherwise, need is assumed to exist.	• Student eligibility for loan subsidies is determined.

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GSL COMPONENT

4. STUDENT BENEFIT CALCULATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS
		<u>Inputs</u> <u>Processes</u> <u>Outputs</u>
4.1 Determination of Loan Limits	4.1 • Program sets yearly and aggregate maximums for loans, as well as a minimum (which can be negotiated by student and lender). Maximum is reduced according to lack of demonstrated need. Maximums vary depending on whether or not the school is the lender. • School is responsible for determining loan maximums and minimums, subject to program requirements.	4.1.1 • School retains application after determining student eligibility. • School determines maximum loan amount subject to need and other mandated criteria. • Application and loan limit information are returned to student or retained by school.
4.2 Determination of Loan Amount	4.2 • Student is responsible for finding available loan capital, although school and GA may provide assistance. • Lender has discretion in determining loan amounts subject to maximum, and in approving individual applications. • Schools may be lenders of last resort, or have an origination relationship where the school distributes loan funds from lenders.	4.2.1 • Eligible student submits application to one or more eligible lenders, or to school if school is a lender or has an origination relationship with lenders. • Lender or school determines loan amount (if any) subject to limits. • Student is notified of decision.

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GSL COMPONENT

5. FUND DISBURSEMENT SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
5.1 Issuance of Promissory Note	5.1 • Promissory note must be signed by student and must include information on loan conditions, on repayment schedule, and on truth in lending requirements. Student must also agree that money will be used only for educational purposes.	5.1.1 • Lender approves student loan.	• Lender develops promissory note. • Student signs note.	• Signed promissory note is retained by lender.
5.2 Loan Deductions	• Lender may retain up to 5% of loan principle to offset subsequent Federal special allowance payments. • Lender may deduct insurance premium from face value of loan if required by GA. Premium may not exceed 1% of loan principle multiplied by the length of the student's enrollment and grace period. • Loan status must be reported to GA and ED.	• Lender may deduct origination fee and/or insurance premium from face value of loan.	• Lender completes Loan Transaction Statement (LTS) to report loan activities.	• LTS and insurance premium submitted to GA by lender.
5.3 Guarantee Approval	5.3 • GA is the authorized Federal agent and provides loan insurance subject to program requirements.	5.3.1 • Lender submits completed application to GA.	• GA reviews application for compliance with program requirements. • GA approves or disapproves loan guarantee.	• Application is returned to lender and student, school and lender are notified of decision.

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GSL COMPONENT

5. FUND DISBURSEMENT SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
5.4 Loan Disbursement	5.4 • Loan disbursement is required at least once per year, more often if loan exceeds certain amounts. • School can retain its portion of loan funds with student approval; otherwise, funds go to student. • Student must maintain enrollment status to receive funds.	5.4.1 • Lender issues check to student, or to school and student, with written permission from student. Check is mailed to student or school.	• If check is mailed to school and is payable to student only, school gives check to student. • If check is mailed to school and is payable to student and school, school gets student's endorsement, cashes check, retains school portion, and gives remaining funds to student. • If check is mailed to student, student receives check. • If student does not enroll in school, school returns check to ED.	• Check cashed by student or returned to ED.

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GSL COMPONENT

5. FUND DISBURSEMENT SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS
		Inputs Processes Outputs
5.5 Interest and Special Allowance Payment	5.5 • Noteholder is entitled to Federal payment of interest during student enrollment, grace and deferment periods to subsidize student loan costs. Amount paid depends on when loan was made. Student need must be demonstrated for loan to receive subsidy. • Noteholder is entitled to Federal payment of special allowance over the life of the loan. Amount paid depends on when loan was made, on Treasury Bill rates, and on formula set by regulations. • Noteholder must request special allowance and interest subsidies from ED, reporting mandated data. Requests may be submitted annually, semi-annually, or quarterly.	5.5.1 • Noteholder or servicing agent submits Lenders Request for Interest and Special Allowance (ED Form 799 and relevant supplements) to SMA for interest and special allowance payments. 5.5.2 • BCS or TBS reviews 799 for completeness and accuracy. 5.5.3 • TBS prepares payment voucher. • SMA performs edits and validation and enters data. • BCS or TBS determined amount of payment. • Voucher submitted to ED Finance. • ED Finance sends voucher to Treasury. • Treasury transfers funds to note owner. • Data forwarded to BCS if payment can be machine processed, or to TBS if manual processing is required. • If BCS did processing, payment tape forwarded to TBS; if TBS did processing, payment information retained by TBS. • TBS notified of fund transfers.

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GSL COMPONENT

5. FUND DISBURSEMENT SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
5.6 Administrative Cost Allowance Payment	5.6 • GA may receive an Administrative Cost Allowance (ACA) of up to 1% of the principle to cover operating expenditures. Request may be sent in quarterly and must be justified.	5.6.1 • GA submits Administrative Cost Allowance (ACA) application to ED.	• ED reviews ACA request. • If approved, ED submits payment voucher to ED Finance. • ED Finance sends voucher to Treasury.	• Funds transferred to GA.

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GSL COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
6.1 Note Transfer and/or Servicing Contract	6.1 • SLMA and other participant organizations are authorized to provide a secondary market for student loans. • Lenders may use standard loan servicing practices.	6.1.1 • Lender may sell or warehouse loan in secondary market and/or contract out servicing function.	• Lender completes LTS form to report loan actions.	• LTS is submitted to GA.
6.2 Enrollment Status Reporting	6.2 • ED pays note owner for loan interest while eligible student is enrolled in school at least half-time. • Enrollment status must be reported semi-annually. • Student must enroll in school to receive loan funds. • Student must notify note owner if application information changes.	6.2.1 • BCS generates School Confirmation Report (SCR) and submits to ED. 6.2.2 • School sends SCR to GA. 6.2.3 • GA sends SCR to SMA. 6.2.4 • ED cancels loan checks returned for students who did not enroll. 6.2.5 • Student notifies note owner if status reported on application changes.	• ED sends SCR to schools • GA sends roster taken from SCR to relevant lenders. • SMA enters data and forwards it to BCS. • ED updates records. • Note owner adjusts records.	• Enrollment information updated by school. • Roster is checked by lender for students entering grace period. • BCS files are updated. • Lender notified of cancellation. • Other participants are notified.

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GSL COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
6.3 Entrance into Grace and/or Deferment Period	6.3 • ED pays note owner for loan interest during 6-12 month grace period. Maximum grace period is determined by when the loan was made and may be reduced through borrower agreement with note owner. • ED pays note owner for loan interest during deferment period, which may range from a 1-3 year period depending on activity borrower is involved in. Deferment status may be granted to borrowers who are disabled, who enter the military, who engage in volunteer activities for specific agencies, who enter an internship, or who are unable to find employment. • Borrower must provide written evidence of eligibility for deferment.	6.3.1 • Once enrollment status drops below half-time, borrower enters grace period.	• If borrowers engage in activities that make them eligible for deferment, they may apply to note owner for deferment status by providing written evidence of eligibility.	• Once grace and deferment status end, borrower enters repayment period.

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GSL COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
6.4 Development of Repayment Schedule	6.4 • SLMA is authorized to consolidate loans for borrowers who meet certain conditions and who have multiple loans. • Borrower is responsible for both interest and principle payments after in-school, grace, and deferment periods end. • Repayment schedule must be negotiated between borrower and note owner, based on the terms of the promissory note, program regulations, and mandated time and payment limits. Repayment schedule must be completed by beginning of repayment period. • Note owner may grant forbearance and alter repayment schedule for a limited time period if the borrower encounters temporary hardship; otherwise, student is required to meet repayment schedule with no penalty for early payments (see default and write-off activities for procedures if borrower misses payment).	6.4.1 • Borrowers with multiple loans may consolidate them with SLMA. 6.4.2 • Prior to end of grace and deferment periods, note owner contacts borrower. 6.4.3 • Borrower may request forbearance.	• Note owner fills out LTS regarding consolidation activity. • Borrower and note owner negotiate repayment schedule. • Note owner may grant forbearance, in which case repayment schedule is renegotiated.	• LTS submitted to GA. • Repayment schedule received. • Revised repayment schedule received.

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GSL COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
6.5 Loan Repayment	6.5 • Borrower is responsible for both interest and principle payments during repayment period. Borrower is responsible for adhering to repayment schedule. • Note owner must return promissory note to borrower when loan is paid in full. • Note owner must notify GA of loan status.	6.5.1 • Borrower submits payments to note owner according to repayment schedule is paid in full. (See default and write-off activities below for treatment of missed payments.)	• Note owner returns promissory note to borrower when loan is paid in full. • Note owner fills out LTS to report loan paid in full.	• Completed LTS is sent to GA.

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GSL COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
6.6 Loan Default	6.6 • Program requires that note owner must take specific due diligence steps to collect overdue payments from borrowers, including seeking pre-claims assistance from GA or ED. • Program authorizes GA insurance and ED reinsurance for eligible GSL loans. Under this provision, lender losses are repaid by the GA, and ED reimburses the GA, as long as mandated criteria are met and procedures are followed. Generally, the amount of reimbursement is 100% of lost principle and interest, although the reimbursement rate may be lowered for GAs with high default rates. • Accounts must be updated when borrower status changes.	6.6.1 • Borrower misses payment.	• Note owner exercises due diligence to collect payment.	• If payment is overdue 180 days and borrower is not dead or disabled, or is Chapter 13 bankrupt, loan enters default.
		6.6.2 • Note owner submits default claim forms to GA.	• GA reviews claim form and may request additional documentation.	• If approved, note owner is reimbursed for default.
		6.6.3 • GA submits Guarantee Agency Request for Reimbursement for Claims Paid (ED form 1189 series) to CCS for default reimbursement.	• CCS reviews claim form and may request additional documentation.	• If approved, GA is reimbursed for claim.
		6.6.4 • GA continues to attempt to collect from borrower, using contracted or internal resources.	• If GA is successful, GA forwards payment to lender and collects GA insurance payment from lender; GA also returns insurance reimbursement to ED.	• Borrower re-enters repayment status.

GSL COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
6.7 Loan Write-Off	6.7 • Program authorized GA insurance and Federal reinsurance for GSL loans. Under this provision, lender losses are repaid by the GA, and ED reimburses the GA as long as mandated criteria are met and procedures are followed. Generally, the amount of reimbursement is 100% of lost principle and interest, although the reimbursement rate may be lowered for GAs with high default rates.	6.7.1 • If payment is overdue by 120-180 days and borrower is dead, disabled or non-Chapter 13 bankrupt, loan enters write-off. 6.7.2 • GA submits ED form 1189 series to CCS.	• Note owner submits claim form to GA for claim. • GA reviews claim form and may request additional information. • CCS reviews claim form and may request additional documentation.	• If approved, note owner is reimbursed. • If approved, ED reimburses GA for claim.
6.8 GA Reporting	6.8 • Lender must submit quarterly call report to GA. • GA is the authorized Federal agent for GSL and must provide summary data on its activities to ED on quarterly reports.	6.8.1 • Lender fills out call report 6.8.2 • GA fills out ED form 1130 for quarterly reporting.	• Lender sends call report to GA. • GA submits ED form 1130 to ED.	• GA updates its records. • ED updates its records.

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GSL COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM (Continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
6.9 Lender Review	6.9 • Lenders must meet eligibility criteria and comply with record-keeping and reporting requirements to continue participation in program. • ED is authorized to review lenders for compliance with program requirements.	6.9.1 • LRS selects lenders to be reviewed.	• LRS determines lender compliance with program requirements.	• LRS either takes no action, adjusts subsidy payments, or de-certifies lender, depending on findings.

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D. THE CAMPUS-BASED DELIVERY SYSTEM COMPONENT

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CAMPUS-BASED COMPONENT

1. PRE-APPLICATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.1 Budget Development	1.1 • Congress annually determines appropriations according to specific government-wide procedures. This process is repeated during a fiscal year if appropriations need to be adjusted.	1.1.1 • DPPD/OPBE develop budget, based on appropriations for last fiscal year, administration's programmatic and fiscal priorities.	• Budget approved through OFSA, OPBE, and ED Secretary.	• Initial ED Budget Document completed.
		1.1.2 • ED submits budget to OMB.	• OMB reviews, revises, or approves.	• Approved, revised budget document completed.
		1.1.3 • OMB submits Administration's budget to Congress.	• Congress reviews, debates, revises, or approves budget.	• Budget approved, funding level established, and funds appropriated.

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CAMPUS-BASED COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
1.2 Promulgation of Regulations.	1.2 • Institutions participating in program must agree to legislative and regulatory provisions and criteria. • ED has authority to administer program and promulgate regulations annually. • Regulations include program requirements and revisions, eligibility and financial need criteria, Expected Family Contribution Schedule, Need Analysis formula, and benchmarks.	1.2.1 • Congress establishes through legislation program intent, basic eligibility criteria, and authority of ED to administer program and promulgate regulations. 1.2.2 • Public responds to published NPRM. 1.2.3 • OMB receives regulations. 1.2.4 • ED submits proposed regulations to Congress. 1.2.5 • Final Regulations published.	• DPPD drafts regulations. • DPPD sends draft through DFSA, OPE, and OPBE to ED Secretary for revision or approval. • ED revises proposed regulations as necessary. • OMB revises or approves regulations. • Congress reviews regulations. • Congress either disallows regulations (in which case they are revised and resubmitted) or allows them to stand. • DPO makes necessary changes in administration subsystems including allocation, accounting, and reallocation Subsystems.	• ED publishes NPRM in <u>Federal Register</u>. • Proposed regulations submitted by ED to OMB. • OMB-approved regulations returned to ED. • Final regulations published in <u>Federal Register</u>. • Administration Subsystems revised.

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CAMPUS-BASED COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.3 Forms Development	1.3 • Funds must be requested from ED, and program activities must be reported annually. • Forms must be developed for annual application, processing, and record keeping.	1.3.1 • DPPD and DPO determine data needed for application, ED processing, and record keeping.	• DPPD and DPO determine changes in forms and instructions. • FEDAC accepts or rejects proposed changes. • GPO delivers forms to DPPD.	• Requests for changes in forms and instructions submitted to FEDAC. • Approved forms returned to ED. • Forms delivered to relevant participants by DPPD.
		1.3.2 • FEDAC reviews ED forms and instructions.		
		1.3.3 • DPPD establishes printing quantities and submits requisition to GPO.		
1.4 Institutional Eligibility Determination	1.4 • To administer Title IV programs, institutions must be determined by ED to be eligible under Congressionally established criteria. • Different eligibility criteria are used for: - Traditional higher education institutions - Proprietary institutions - Postsecondary vocational institutions.	1.4.1 • Institution completes and submits request for Institutional Eligibility (ED 1059).	• Eligibility and Agency Evaluation Staff (EAES) of OPE reviews form and documentation to establish eligibility according to legislation and regulations, requesting additional information if necessary.	• Eligibility Certification Letter issued by EAES if eligible.

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CAMPUS-BASED COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.5 Institutional Certification	1.5 • To administer Title IV programs, institutions must be certified by ED as administratively capable and financially responsible. • To administer Title IV programs, institutions must agree to comply with legislative and regulatory provisions, that is, - To comply with Student Assistance General Provisions - To comply with Civil Rights and Title IV regulations - To provide information on financial aid programs, the institution, and academic programs - To audit student financial aid programs biennially, using ED guidelines - To maintain systematically organized records and to make the records available to ED on request. • Institutions must be recertified every three years.	1.5.1 • Institution submits documents and financial statements required for certification. 1.5.2 • Institution receives Program Participation Agreement. 1.5.3 • ILCB/DCPR receives Program Participation Agreements.	• Institution and Lender Certification Branch (ILCB) of DCPR reviews documents and determines institution to be capable and responsible. • Institution signs Agreement, agreeing to administer programs under Congressionally and ED-specified conditions. • ILCB/DCPR compiles annually list of institutions certified to administer programs.	• Program participation agreement issued to institution by ILCB. • Signed Agreement with ILCB/DCPR filed by Institution. • List of certified institutions annually established.

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CAMPUS-BASED COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
1.6 Low-Income School List Development	1.6 • ED is required to annually publish a list of low-income schools. Teaching service within these schools qualifies for cancellation of a portion of NDSL loans.	1.6.1 • Secretary of ED sends letter of solicitation to SEAs.	• Secretary of ED consults with SEAs to identify elementary and secondary schools with high concentrations of low-income students. • ED receives responses. • ED checks against existing list.	• Low-income school list for NDSL teacher cancellations published in Federal Register.
1.7 State Allocation	1.7 • Funds are allocated annually on a formula basis by state.	1.7.1 • Congress appropriates Title IV, Campus-Based funds.	• ED allocates 90% of appropriated funds by state on an FTE basis and 10% on a "fair share" basis.	• State allocations completed by DPO.

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CAMPUS-BASED COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
1.8 Institutional Application for Funds	1.8 • Institutions are required to apply annually for Campus-Based funds. • Institutions must estimate needed funds for programs.	1.8.1 • Institution collects necessary data. 1.8.2 • Institution submits FISAP to ED.	• Institution estimates need for funds for FISAP (ED form 646). • ED receives FISAP. • ED sends FISAP to contractor. • Contractor keypunches data. • Contractor processes and runs edit checks on data. • Contractor identifies errors in FISAPs and sends error form to institution. • Institution provides corrected data to ED.	• FISAP Completed. • Data requested from institution by contractor received by DPO.

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CAMPUS-BASED COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
1.9 Initial Institutional Allocation	1.9 • Funds for all three programs are allocated on forward-funded basis. MDSL and CWS funds are allocated in three general stages: 1. Conditional guarantee 2. State increase based on "fair share" of state apportionment 3. National increase, fair share of national apportionment. • SEOG funds are allocated in 4 stages: 1. Conditional guarantee 2. Initial year (IY) state increase on "fair share" of state appropriation (SEOG) 3. IY national increase on "fair share" of national appropriation (SEOG). 4. Continuing year national increase on "fair share" of national (SEOG) appropriation.	1.9.1 • DPO receives data on requested funding levels. 1.9.2 • DPO notifies institution of initial allocation.	• DPO uses formula to establish allocation. • Institution receives and reviews allocation. • Institution accepts allocation or appeals.	• Institutional allocation completed. • Initial allocation accepted by Institution. (Go to 1.11)

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CAMPUS-BASED COMPONENT

1. PRE-APPLICATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
1.10 Appeal of Initial Allocation	1.10 • Institutions may appeal an initial allocation to a National Appeals Panel (NAP). • Institutions must provide additional documentation in support of appeal to National Appeals Panel.	1.10.1 • Institution files notice of appeal with ED. 1.10.2 • DPO sends notice of decision on appeal to institution.	• Institution provides documentation in support of its appeal. o Appeals panel reviews appeal. • Institution receives notice of NAP decision. • DPO processes appeal corrections. • DPO forwards approval lists to ED Finance. • ED notifies Congress of changes. • DPO reallocates funds.	• Decision on appeal issued by NAP. • Final awards letter issued by DPO. • Funds disbursement to institution authorized by DPO.
1.11 Final Allocation	1.11 • ED must notify institution of final allocation and authorize disbursement from EDPMTS.	1.11.1 • DPO sends final awards letter to institution.	• Institutions notified of final award.	

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CAMPUS-BASED COMPONENT

2. STUDENT APPLICATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
2.1 Financial Statement Processing	2.1 • Student must use approved financial statement form (also approved by ED) (Pell/CSS/ACT, etc.). • Student must file single financial statement annually. • Financial statements may be processed by many processors.	2.1.1 • Student obtains financial statement. 2.1.2 • Processor enters financial statement data.	• Student (and parents in the case of a dependent student) complete financial statement including demographic and financial information. • Processor runs edit checks on data and sends error notice to student if necessary. Student (and/or parent) corrects or provides data for appropriate item. • Processor computes expected family (or individual) contribution.	• Financial statement sent to processor with payment (except Pell which is processed at no cost to the applicant). • Financial statement sent to institution (If Pell is used, SAR is sent to student)
2.2 Student Application	2.2 • Students must also file an application for aid to the institution.	2.2.1 • Student files institutional application annually (and SAR, if Pell is used).	• Institution reviews student application for aid.	• Institution aid application processed.

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CAMPUS-BASED COMPONENT

3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
3.1 Student Eligibility Determination	3.1 • Institutions determine eligibility of student to receive SEOGs, NDSE, CW-S on the following criteria: <u>All Programs</u> - U.S. citizen, national, permanent resident - Enrolled in eligible program within institution - Satisfactory academic progress - Not owe Title IV grant repayment - Not in default on Title IV loan at same institution - Declaration of educational purpose on file - Financial aid transcript on file SEOG-no bachelor's degree NDSE-enrolled at least half time	3.1.1 • Institution receives institutional aid application.	• Institution reviews student status regarding specified program criteria.	• Student eligibility certified by Financial Aid Officer
3.2 Optional Validation	3.2 • Institutions may validate financial and demographic data elements on the financial statement at their option.	3.2.1 • Institution notifies student of validation requirement.	• Institution requests specific documents with which to validate financial statement (e.g., tax forms). • Student submits documents to Financial Aid Office.	• Data on financial statement validated by Financial Aid Office.

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CAMPUS-BASED COMPONENT

4. STUDENT BENEFIT CALCULATION SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS
		<u>Inputs</u> <u>Processes</u> <u>Outputs</u>
4.1 Student Award Calculation	4.1 • Institution determines cost of attendance with actual or average costs for tuition, room and board and "reasonable" costs for other educational expenses. • Institution free to package aid according to institutional philosophy and individual's circumstances, in order to cover "unmet need." • Maximum awards: - SEOG, \$2,000 - NDSL, aggregate limits only - CW-S, unmet need • Up to 10% of SEOG and CW-S funds may be transferred between accounts at the discretion of the campus to meet demand. • Initial year and continuing year SEOG funds may be combined and awarded on the basis of campus demand at the institution's discretion.	4.1.1 • Institution retains application material after eligibility determination. • Institution uses expected family contribution from processed financial statement (or SAR) and compares with student budget. • Institution determines "unmet need." • Institution awards aid from three programs on the basis of aid packaging philosophy, need, and availability of funds. • Institution generates award letter. • Award letter sent to applicant.

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CAMPUS-BASED COMPONENT

5. FUNDS DISBURSEMENT SUBSYSTEM

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
5.1 Establishment of Letter of Credit	5.1 • Institutions may choose to receive Federal payments through the Letter of Credit payment method. ED authorizes the Institution to draw funds as needed (up to the established ceiling) from: - Federal Reserve System - Federal Reserve Bank - Local commercial bank.	5.1.1 • Institution requests Letter of Credit payment method from ED. 5.1.2 • Institution submits Initial Request for funds.	• EDPMTS makes special arrangements with Federal Reserve or local bank to handle institution's account. • EDPMTS processes request, notifies Treasury, notifies Institution. • Treasury sends Letter of Credit to appropriate financial agency.	• Account established. • Expenditure up to ceiling for specified period authorized by Letter of Credit.
5.2 Establishment of Cash Request System	5.2 • Institutions may choose to receive Federal payments through the Cash Request System payment method. ED authorizes institutions to draw funds monthly directly from the Federal Government, under guidelines: - Institutions must request funds needed; funds are not advanced automatically. - Amount of each request cannot exceed combined grant authorization minus all previous monthly payments received for award year.	5.2.1 • Institution submits Initial Request for for Funds and Recipient Cash Advance Form (ED 874). 5.2.2 • Institution submits Recipient Cash Advance Form (ED 874) monthly.	• EDPMTS processes request, authorizes payment, and notifies Treasury. • EDPMTS processes; authorizes monthly payment; notifies Treasury	• Initial payment authorized. • Monthly payment authorized.

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CAMPUS-BASED COMPONENT

5. FUNDS DISBURSEMENT SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
5.3 Award Acceptance	5.3 • Students must accept individual awards by signing award letter.	5.3.1 • Student signs and returns award letter.	• Institution receives signed award letter and conducts processes appropriate to each program (see below).	• Appropriate disbursement procedures initiated.
5.4 SEOG Disbursement	5.4 • SEOG disbursed usually twice a year. • Disbursement may be made by crediting a student's account or by a check issued to the student. • Institution required to have student sign statement of educational purpose.	5.4.1 • Student signs SEP.	• Institution files SEP. • Institution credits student's account, issues check to student, or both.	• SEOG funds disbursed.

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CAMPUS-BASED COMPONENT

5. FUNDS DISBURSEMENT SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
5.5 NDSL Disbursement	5.5 • NDSL must be disbursed at least twice a year, usually once a semester. • Disbursement may be made by crediting student's account or by issuing a check to student.	5.5.1 • Student signs SEP.	• Institution files SEP. • Institution produces NDSL promissory note. • Institution notifies student of rights and responsibilities for loan through a meeting or by mail. • Institution issues student a data sheet.	• Student notified of responsibilities for loan; data sheet completed and promissory note signed by student.
		5.5.2 • Student signs promissory note.		• NDSL funds disbursed to student.

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CAMPUS-BASED COMPONENT

5. FUNDS DISBURSEMENT SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
5.6 CW-S Disbursement	5.6 • Institution must match ED funds with at least 20% institutional funds. • Institution required to have student sign SEP. • Federal portion of student wages must be paid by check. • Institutional portion of wages may be in-kind compensation. • Institution must issue checks at least monthly. • Institution or employer must set wage rate. • Institution must disburse funds as student works.	5.6.1 • Student signs SEP. 5.6.2 • Student is assigned and performs job.	• Institution files SEP. • Student applies for specific job (on campus or with off-campus employer). • Institution evaluates employer (if other than institution) and specific job according to regulations and certifies eligibility. • Institution or employer sets wage rate. • Student submits pay voucher to employer for hours worked.	• Student assigned to eligible job. • Supervisor certifies that work has been performed.

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CAMPUS-BASED COMPONENT

5. FUNDS DISBURSEMENT SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		<u>Inputs</u>	<u>Processes</u>	<u>Outputs</u>
5.6 CW-S Disbursement (continued)		5.6.3 • Employer processes voucher.	• If institution is the employer, institution issues check. • If employer is other than institution, employer issues check to student and bills institution for 80% of wages, or institution issues check to student and bills employer for at least 20% of wages.	• Student paid and CW-S funds disbursed.

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CAMPUS-BASED COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM

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ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
6.1 SEOG Reconciliation	6.1 • Institution must keep records of disbursements and eligibility. • Institution must periodically review disbursements and eligibility status.	6.1.1 • Institution reviews eligibility status and any additional aid received by student.	• Institution monitors status and aid to determine if overawards exist. • Institution deducts overawards from next year's awards.	• Institution assures repayment of overawards.
	• Institution must reevaluate student's need in the event of overpayment. • Students are required to repay any overaward in the case of receiving additional aid, or of change of status; overpayment must be deducted from the next year's grants or loan (except Pell) or included in EFC. • Institution may transfer up to 10% into or out of CW-S. • Institutions must report expenditures and close books with report on FISAP. • Institutions are permitted administration allowance from Federal funds.	6.1.2 • Institution initiates account reconciliation.	• Institution balances expenditures with revenues, including transfers from CW-S, and computes administrative allowance.	• Part III and related Sections of FISAP are completed and filed with DPO.

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CAMPUS-BASED COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS
		Inputs Processes Outputs
6.2 CW-S Reconciliation	6.2 • Institution must keep pay records. • Institution must monitor pay to assure student does not earn more than award. • If student earns more than award, institution must determine if overaward has occurred. • In the case of overaward, institution must deduct from next year's award (except Pell) or add amount to EFC. • Institution may transfer up to 10% of CW-S into SEOG or 10% of SEOG into CW-S. • Institution must balance revenues from Federal sources and employers with expenditures and close books for the year. • Institution must record data on FISAP. • Institutions are permitted administration allowances from Federal funds.	6.2.1 • Institution maintains pay records and eligibility records. 6.2.2 • Institution initiates account reconciliation. • Institution monitors student pay. • Institution notifies student and employer when student earns amount awarded. • If student earned more than award or if status or need changes, institution deducts overaward from next year's award or adds to EFC. • Institution balances revenues from Federal sources and employees with expenditures. • Institution records any transfers from SEOG account. • Institution closes account for year. • Student/employer notified when student earns maximum and repayment of overpayment insured. • Part IV and relevant sections of FISAP completed and filed with DPO

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CAMPUS-BASED COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS
		Inputs
6.3 NDSL Repayment	6.3 • Institution must conduct exit interview. • Student permitted a "grace period" of 6-9 months after completing program or deferred status (Defense Loan 9 months; Direct Loan 6 months). • Institution must contact student once before repayment due and inform students of schedule and update data sheet. • Institution may issue payments monthly or quarterly. • Institution must approve billing procedure. • Upon completion of payment institution must surrender note to student. • Institution must use "due diligence" in locating, maintaining contact with, and securing payment from student.	6.3.1 • Student completes program, leaves institution, or is no longer in deferred status. 6.3.2 • Institution notifies and bills student on a regular basis.
		Processes
		• Institution conducts exit interview. • Institution collects appropriate data to allow repayment. • Institution informs student of repayment responsibility after grace period. • Student receives bills and makes regular payments until note is paid in full. • Institution forwards note to borrower marked "paid in full."
		Outputs
		• Student informed of responsibility for repayment by institution. • Payment of debt completed by student and account closed by institution.

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CAMPUS-BASED COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS
		<u>Inputs</u> <u>Processes</u> <u>Outputs</u>
6.4 Repayment Deferment	6.4 • NDSL loans may be deferred on an annual basis if: • Student is enrolled half-time • A member of the Armed Forces or Public Health Service • Serving in ACTION • In recognized internship • Disabled or unemployed, etc. • During deferment, no interest accrues on loan.	6.4.1 • Student files "Request for Deferment" with institution. • Student has appropriate official validate Request. • Institution processes Request. • Loan payments deferred for a year.
6.5 Loan Cancellation	6.5 • A portion of a student loan may be cancelled for: - Teaching in a low-income school identified by the Sec. of ED - Military Service - "Head Start" service • ED reimburses institution for principal and interest for NDSL cancellations.	6.5.1 • Student files "Request for Partial Cancellation" for appropriate category. • Institution processes form. • Institution cancels principal and interest at appropriate rate, and notifies student. • Institution requests reimbursement for principal and interest from ED on FISAP. • Institution reimbursed for cancelled NDSL loans by EDPMTS.

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CAMPUS-BASED COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM (continued)

ACTIVITY	PROGRAM FEATURES	SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
6.6 Loan Default	6.6 • Institution must use "Due Diligence" in attempting to collect. • After 105 days of last payment or first missed payment date the institution may declare the account in default and: - Refer to a collection agency - Refer to ED for collection - Assign the loan to ED.	6.6.1 • institution refers the loan to agency/ED. 6.6.2 • Institution assigns loan to ED.	• ED attempts to collect loan or private collection agency attempts to collect. • ED assumes collection responsibility for loan and keeps all collected funds. • Institution balances loans made with revenues from repayments and federal sources. • Auditor conducts financial and compliance audit.	• Funds collected returned by ED to institution minus 20% fee, or by agency minus fee • Books closed on loan by institution. • Part I and relevant portions of FISAP completed and filed with DPO. • Institution files report with IRS/DCPR.
6.7 NDSL Reconciliation	6.7 • Institution must maintain records of loans, payments, cancellations, defaults, assignments, and refunds.	6.7.1 • Institution maintains appropriate records of activities.		
6.8 Program Review and Audit	6.8 • Institution must audit program using an outside auditor or an independent internal auditor.	6.8.1 • Institution asks qualified individuals to conduct audit of program records.		
6.9 ED Program Reviews	6.9 • DCPR must conduct periodic program reviews based on factor system of 16 preselected factors.	6.9.1 • ED selects institution for program review.	• IRS/DCPR reviews General, Fiscal, Compliance and other program requirements.	• Reports issued by DCPR.

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APPENDIX A

QUESTIONS RELATED TO
PROGRAM DESIGN

APPENDIX A

QUESTIONS RELATED TO
PROGRAM DESIGN

The following are some of the questions which are fundamental to almost any government program which distributes funds. The answers to these questions are program features, as determined by laws, regulations, policy decisions, and historic practices. These questions must be answered explicitly or implicitly in the design of any program: the answers determine the delivery system activities.

I. PRE-APPLICATION

1. What is the program intent?
2. What is the program type (e.g., grant, loan, service provision)?
3. Who determines which aspects of program content (e.g., eligibility criteria, need analysis, award amounts)?
4. What is the program content to be determined?
5. When, and how frequently, must which aspects of program content be determined?
6. Is there an application?
7. Who develops the application?
8. When, and how frequently, must the application be developed?
9. Who determines the persons who may apply/participate?
10. When, and how frequently, is such a determination made?
11. Who develops program regulations?
12. What aspects of the program require promulgation of regulations?

13. When, and how frequently, must regulations be developed?
14. Who is responsible for program funding?
15. On what basis is program funding determined?
16. When, and how frequently, is program funding determined?
17. Who is responsible for program planning?
18. Who is the primary provider?
19. Are there eligibility requirements for primary providers?
20. Who determines primary provider eligibility?
21. What are the eligibility requirements and responsibilities for primary providers?
22. When, and how frequently, must primary providers apply for eligibility?

II. STUDENT APPLICATION

1. Who is responsible for application forms and information transmission?
2. What application forms and information must be transmitted?
3. When, and how frequently, must application forms and information be transmitted?
4. Who fills out the application?
5. What information, from what sources, is required for filling out the application?
6. When, and how often, must the application be filled out?

III. STUDENT ELIGIBILITY DETERMINATION

1. Who determines eligibility?
2. When, and how frequently, is eligibility determined?
3. Are there requirements for verifying, certifying, or correcting application information?

4. Who verifies, certifies, or corrects application information?
5. When, and how frequently, is application information verified, certified, or corrected?
6. Are the applicants notified of their eligibility status?
7. Who is responsible for notification of eligibility status?
8. What is the content of the notification of eligibility status?
9. When, and how often, does notification of eligibility status occur?
10. Who is notified of the applicant's eligibility status?

IV. STUDENT BENEFIT CALCULATION

1. Who applies the benefit calculation criteria?
2. When, and how frequently, are these criteria applied?
3. Who determines the actual amount of the award?
4. What are the sources of award funds?
5. Is there an award adjustment mechanism?
6. Who is responsible for award adjustments?
7. What factors require award adjustments?
8. When, and how frequently, are awards adjusted?
9. Is there an award notification?
10. Who is responsible for award notification?
11. What is the content of award notification?
12. Who receives the award notification?

V. FUND DISBURSEMENT

1. Who is responsible for fund disbursement?
2. What are the sources of funds?
3. Are there intermediary agents in the disbursement process?
4. For what purposes are funds disbursed?
5. When and how frequently are funds disbursed?
6. Who receives funds?

VI. ACCOUNT RECONCILIATION

1. Who is responsible for account reconciliation?
2. What accounts must be reconciled?
3. When and how frequently are accounts reconciled?
4. Who provides the data for account reconciliation?
5. What data are required for account reconciliation?
6. When and how frequently are the data transmitted for account reconciliation?
7. Are there auditing or program review requirements?
8. Who is responsible for audits and/or reviews?
9. What items are included in audits and/or reviews?
10. When, and how frequently, are audits and/or reviews done?
11. Who issues reports?
12. Who determines report contents?
13. When, and how frequently, are reports issued?

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14. Who receives reports?
15. Are there mechanisms to adjust overpayments, underpayments, or for collections?
16. Who is responsible for adjusting overpayments, underpayments, or for collections?
17. What factors lead to the need for adjustments or collections?
18. When, and how frequently, are payments adjusted or collection activities undertaken?

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APPENDIX B

STUDENT FINANCIAL AID PROGRAMS:
LEGISLATIVE HISTORY, 1965-1980

APPENDIX B

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APPENDIX B

STUDENT FINANCIAL AID PROGRAMS:
LEGISLATIVE HISTORY, 1965-1980

INTRODUCTION

Federal involvement in providing financial aid to postsecondary students has grown steadily in the last 18 years, the major programs being administered by the U.S. Department of Education. This survey consists of an analysis of these aid programs, authorized under Title IV of the **Higher Education Act** (P.L. 89-329), as amended. The original intent and structure of each program are described, and legislative histories are provided to delineate revisions to both program intent and delivery mechanisms. Also, the funding history for each program is reviewed.

BACKGROUND

The role of the Federal Government in providing direct financial aid to postsecondary students had a modest beginning during World War I, when Federal support was made available for training military personnel and disabled veterans in civilian higher education institutions.¹ In the 1930s, Federal financial aid was extended to civilians through the Public Works Administration's channeling of millions of dollars into construction of college facilities. These funds were often used by states and localities for work-study programs for college students.²

The first major Federal involvement in providing student financial aid came with the **Serviceman's Readjustment Act of 1944**, better known as the "GI Bill." Millions of World War II veterans took advantage of this aid in pursuing a college education. Other, limited, Federally sponsored training grants and fellowships were initiated during the 1940s and 1950s as part of the creation of various Federal research and development agencies (e.g., the Atomic Energy Commission in 1946 and the National Science Foundation in 1950).³

The first major Federally financed aid program targeting civilian citizens was implemented under the **National Defense Education Act of 1958**. This first omnibus education bill represents major growth in the scope of the Federal role in supplementing the financing of education. Passed by Congress in reaction to the

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perceived threat to national security by the Soviet Sputnik launching, the Act established a campus-based student loan program, with Federal funds matching institutional nine-to-one. Repayment of the loans was partly waived for those student borrowers going into science, mathematics, or teaching careers. Although the loan program was termed a "temporary emergency measure," specifically targeted toward producing scientific manpower, it has grown steadily since its inception and its intent has been broadened.⁴

In each of these early Federal programs, the financial support provided to students was perceived as a means to an end other than support to education. Program intents were to provide veteran benefits, bolster national defense, spur economic recovery, or encourage research in and development of selected disciplines seen as vital to the national welfare. As Federal support of higher education expanded in the 1960s, the rationale for such involvement became focused on providing equal education opportunity for disadvantaged and minority students. In the social awakening of the 60s, "...equal education opportunity took on new dimensions, a new urgency, and a central place in public policy making for higher education."⁵

Over the last several decades, Federal support of higher education and of postsecondary students has grown into more than 400 varied programs. The National Commission on the Financing of Postsecondary Education describes the general purposes for such support:

- **Support for research** in areas of national interest
- **Equal access** to postsecondary education for low-income and other educationally disadvantaged students
- **Strengthening collegiate institutions** of certain types and strengthening all collegiate institutions in certain functions
- **Work force training** to increase the supply of skilled persons in critical occupations and to expand employment opportunities for unskilled persons
- **Special benefits** to certain classes of persons, such as veterans, survivors of Social Security beneficiaries, and handicapped and disabled persons.⁶

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The hallmark of higher education support legislation occurred in 1965. Lyndon Baines Johnson, in his State of the Union address, took the unprecedented step of outlining specifically his proposed program for an expanded Federal role in post-secondary institutional and student support. Johnson proposed:

- Grants to poor students
- Student loans with subsidized interest
- Standby Federal insurance for student loans
- Inclusion of vocational school students in such aid programs.⁷

This proposal began a major legislative push, resulting in the omnibus **Higher Education Act of 1965**. The student aid programs authorized under Title IV of the Act fall into three categories: the Pell Grant, Campus-Based, and Guaranteed Student Loan programs.

1.0 PELL GRANT PROGRAM

The Basic Educational Opportunity Grant Program, renamed the Pell Grant Program in 1980 to honor its initiator, Senator Claiborne Pell (D-RI), was established in the 1972 Education Amendments (P.L. 92-318). Basic program provisions included providing eligible undergraduate students with a basic educational grant of \$1,400, minus expected family contributions.

- The \$1,400 amount was reduced proportionately for students with less than full-time status.
- The grant amount could not exceed the difference between the expected family contribution for a student and the actual cost of attendance at the institution, nor could it exceed 50 percent of the actual cost of attendance for any year.
- In any year in which the program was less than fully funded, individual student entitlements would be reduced according to a sliding scale, with individual grants not exceeding 50 percent of the actual cost of attendance minus expected family contribution (60 percent if the program were funded at least 75 percent of entitlement).
- No grant award was to be less than \$200.
- Students could not receive grants for more than four years, unless the institution required more time for completion of the academic program.
- A Schedule of Expected Family Contributions would be published annually in the Federal Register (by February 1), to take effect the succeeding academic year. In promulgating these regulations, the following criteria were to be considered:
 - Amount of annual adjusted income of the student or the family
 - The number of dependents
 - The number of dependents receiving family contribution for attending a postsecondary institution
 - The amount of assets of the student and the family
 - Any unusual medical expenses of the student or family
 - Any sums received by the family or student under Social Security and 50 percent of any veteran's benefits received.

The same criteria applied for calculating the contribution of students determined to be independent.

- The Commissioner (now Secretary) of Education was given regulatory authority to determine information and assurances to be included in the annual application form and to specify how grant payments would be made.

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- A trigger funding provision was included. No basic grant payments could be made in any fiscal year in which the appropriations for supplemental grants, work-study grants, or direct loans fell below specified levels.⁸

1.1 REVISIONS AND AMENDMENTS

1.1.1 Education Amendments of 1976 (P.L. 94-482) extended the Basic Grant program through FY79 and raised the grant amount to \$1,800, effective academic year 1978-79. The 1976 Amendments also:

- Revised the deadlines for publication of the Expected Family Contribution Schedule. The Commissioner (now Secretary) was required to publish by July 1 the schedule for the academic year of the next calendar year.
- Added a sixth factor to be considered in estimating expected family contributions: any educational expenses of other dependent children in the family.
- Deleted the provision that Social Security benefits and half of veteran's benefits be considered as effective student income. (These benefits were still to be considered as effective family income.)
- Repealed the provision that whenever funds were insufficient to fully fund entitlements, the Basic Grant had a maximum of 50 percent funding of need.
- Continued the trigger provisions for funding of SEOG, Work-Study, and NDSL programs at specified levels.
- Authorized the Commissioner to make an annual payment to each participating institution of \$10 per enrolled Basic Grant recipient (institutional payments to be used first to disseminate information about student aid programs and then for other administrative costs).
- Authorized the Commissioner to enter into agreements with two to five states for the processing of their residents' BEOG applications. The Commissioner was then required to report to Congress on the experience with multiple state processing, including its impact on the delivery of student financial aid.⁹

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1.1.2 The Middle Income Student Assistance Act of 1978 (P.L. 95-566) greatly increased access to the Basic Grant program by legislating less restrictive eligibility requirements than those which had been previously set by regulation. The 1978 MISA Act:

- Limited the percentage of parental discretionary income calculated as educational contribution to 10.5 percent (beginning after the 1978-79 academic year). (Parental discretionary income is that calculated through the need analysis system to be available for spending on other than subsistence. Program regulations for the 1978-79 academic year required that 20 percent of the first \$5,000 of discretionary income and 30 percent of any additional discretionary income be applied toward college expenses.)
- Required program regulations to provide independent students with dependents the same asset exemptions as provided to families of dependent students in determining the amount expected to be contributed toward education expenses. Also, the law was amended to require that independent students with dependents and families of dependent students contribute the same percentage of unexempted assets toward education expenses. (Regulations for 1978-79 exempted no assets for independent students; families of dependent students were allowed \$17,000 in exemptions for non-farm and non-business assets, and \$50,000 in exemptions for farm/business assets. Families of dependent students were expected to contribute five percent of unexempted assets toward education expenses; independent students were assessed at 33 percent of unexempted assets.)
- Required program regulations to calculate the amount exempted for subsistence costs of single independent students in the same manner as it is determined for all other students.
- Modified the reduction table for Basic Grants, if funding were not sufficient to meet all entitlements, so that those students in greatest need of assistance would receive a larger percentage of their grants.
- Continued the trigger provisions at raised levels for SEOG and Work-Study, and at the same level for NDSL.
- Broadened the definition of proprietary institutions eligible for participation in Title IV student financial programs (except GSL) to include those which admit students not having graduated from high school.
- Included funds from Guaranteed Student Loans as part of the expected family contribution in the need analysis.¹⁰

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1.1.3 The Education Amendments of 1980 (P.L. 96-374) extended the Basic Grant program through FY85, widened eligibility for the program, and significantly increased benefits. The **1980 Amendments** officially renamed the program "Pell Grants" to honor its initiator, Senator Claiborne Pell (D-RI). Significant provisions in the **1980 Amendments** include:

- Broadening of eligibility for all Title IV aid programs: The language in the Statement of Purpose was changed from "qualified students" to "eligible students (defined in accordance with Section 484)"; and "... of exceptional need who, for lack of such a grant, would be unable to obtain the benefits of a postsecondary education" was revised to "... who demonstrate financial need."

Section 484 establishes the criteria that a student (1) be enrolled in an eligible institution at least one-half time, (2) maintain satisfactory progress as determined by the institution, (3) not be in default for any student loans or grants, and (4) make a statement that the grant or loan proceeds will be used solely for education-related expenses.

- Raising maximum grant amounts through FY85:

Academic Year	1981-82	\$1,900
	1982-83	\$2,100
	1983-84	\$2,300
	1984-85	\$2,500
	1985-86	\$2,600

- Raising the percentage of the actual cost of attendance allowed to be covered by a Pell Grant:

<u>Grant Amount</u>	<u>Percentage of Cost of Attendance</u>
to \$1,900	50%
\$1,900 - \$2,099	55%
\$2,100 - \$2,299	60%
\$2,300 - \$2,599	65%
\$2,600	70%

- Further revising the method of calculating grant reductions, when funds are insufficient to pay full entitlements, to provide greater amounts for the lowest-income students.
- Changing the eligibility period from five academic years to the period required for completion of the first baccalaureate course of study, including any periods of noncredit or remedial study deemed necessary by the institution.

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- Allowing institutions greater discretion in determining whether a greater amount of assistance than set by the scale would better serve the purposes of the program for individual students.
- Continuing the trigger provisions for SEOG, Work-Study, and NDSL at specified levels. However, the triggers do not apply if the maximum Pell Grant amount does not exceed \$1,800.
- Prescribing that a common Federal financial aid application form be developed by ED for individual determination of need and eligibility for assistance under the Pell, SEOG, CW-S, and NDSL programs. The application is to be processed at no charge to the applicant.¹¹

1.2 FUNDING HISTORY

The Pell Grant Program is funded entirely by the Federal Government. Funds are appropriated annually by Congress for use during the following award period. (See Figure B-1.)

<u>YEAR</u>	<u>APPROPRIATION</u> <u>(in 000's)</u>	<u>GRANTS TO</u> <u>RECIPIENTS</u> <u>(in 000's)</u>	<u>NUMBER OF</u> <u>RECIPIENTS</u>	<u>AVERAGE</u> <u>GRANT</u>	<u>NUMBER OF</u> <u>QUALIFYING</u> <u>APPLICANTS</u>
1973	\$ 122,100	\$ 49,874	185,249	\$269	268,444
1974	475,000	356,537	573,403	621	681,648
1975	840,200	936,543	1,228,034	763	1,455,187
1976	1,325,800	1,473,814	1,945,454	757	2,258,043
1977	1,903,900	1,587,864	1,863,990	852	2,390,320
1978	2,160,000	1,560,947	1,893,000	825	2,228,603
1979	2,431,000	2,504,912	2,537,875	987	3,029,745
1980 (est.)	1,718,000	2,415,000	2,600,000	893	3,366,000
1981 (proj.)	2,346,000	2,446,000	2,700,000	906	3,750,000

Source: U.S. Department of Education. OSFA Program Book. Compiled by the Office of Student Financial Assistance. Washington, D.C., July, 1981, p. 26.

FIGURE B-1

PELL GRANT SELECTED HISTORICAL STATISTICS

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2.0 CAMPUS-BASED PROGRAMS

Three student financial assistance programs are categorized as Campus-Based Programs because the institutions have greater discretion in determining eligibility for, and amount of, assistance and have a more direct involvement in administering the program to student recipients. The three programs, Supplementary Educational Opportunity Grants (SEOG), College Work-Study (CW-S), and National Direct Student Loans (NDSL) were consolidated under Title IV of the **Higher Education Act** by the **Education Amendments of 1972**.

2.1 SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

The Supplemental Educational Opportunity Grant (SEOG) Program, the first program of Federal grants to undergraduates, was established originally under the **Higher Education Act of 1965** as the Educational Opportunity Grant Program. The program was renamed and slightly refocused in the **Education Amendments of 1972** with the establishment of the Pell Grant Program. The major purpose of the program is to provide qualified students of exceptional financial need grants to obtain a postsecondary education.

The Educational Opportunity Grant Program was established to provide aid to undergraduate students with exceptional financial need. The grants originally ranged from \$200 to \$800 a year, or to an amount not more than one-half the total amount of assistance (excluding Work-Study) provided to the student, whichever was less. An additional \$200 was provided to students in the top half of their class the preceding year who demonstrated need.

Provisions of the original Educational Opportunity Grant Program were:

- Individuals made application for a grant through a higher education institution participating in the program.
- The institution selected grant recipients, based on the following criteria:
 - The student had been accepted for full-time enrollment or was a full-time undergraduate in good standing
 - The student showed academic or creative promise and capability of maintaining good standing
 - The student had exceptional financial need and would not, except for the grant, be able to attend the institution.
- The Commissioner of Education was given regulatory authority to prescribe criteria or schedules for determining grant amounts.

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- Students who maintained a satisfactory standing and full-time attendance were eligible for the grant for four years.
- Program appropriations were distributed among the states on a formula based on the relative number of students enrolled on a full-time basis in higher education institutions in each state. The Commissioner of Education would then allocate funds to individual institutions from each state's allotment. Institutions applied for funds using criteria designed to achieve equitable distribution of funds within each state to all eligible participating institutions.
- Institutions participating in the program agreed to the following:
 - To use funds only for the specified purposes
 - To consider carefully the student's source of income and assets
 - Where appropriate, to make efforts to identify qualified youth of exceptional financial need and encourage them to pursue a post-secondary education
 - To maintain efforts in their own scholarship and loan programs.
- Institutions were permitted to transfer up to 25% of their SEOG program payments to their NDSL funds.
- The legislation authorized the program through FY70 and authorized \$70 million for each FY66-68.¹²

2.1.1 Revisions and Amendments

2.1.1.1 Higher Education Amendments of 1968 (P.L. 90-575) extended the Educational Opportunity Grant Program for three years and raised the maximum amounts of an individual grant from \$800 to \$1,000. However, any compensation from the Work-Study program was considered in determining the amount of the grant to be awarded. The participating institutions' administrative costs of operating the grant program were included in the **68 Amendments** as payable from the grant program funds. One hundred million dollars was authorized for the program FY70; \$140 million for FY71.¹³

2.1.1.2 Education Amendments of 1972 extended the existing program as the Supplementary Educational Opportunity Grant (SEOG) Program. As the renaming indicated, the program was now intended to be supplementary to the newly authorized Basic Educational Opportunity Grant Program. Specific provisions of the **1972 Amendments** included:

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- Appropriations of \$200 million were authorized for each FY73-75 for use only for initial year grants. "Such sums as may be necessary" were authorized for continuation grants.
- The maximum amount of a supplementary grant was raised from \$1,000 to \$1,500 a year, with a 4-year maximum total limited to \$4,000 (\$5,000 for students in approved 5-year programs). The limitation of one-half the sum of the total amount of student financial aid being provided still applied.
- Eligibility criteria were expanded to allow half-time students to benefit from the program.
- Criteria to determine financial need were prescribed:
 - Family assets which could reasonably be available for education expenses
 - The number of dependents in the family
 - The number of children attending postsecondary institutions
 - Any catastrophic illness in the family
 - Other circumstances affecting the student's financial need.
- The institutional agreement provisions specified that the institutions would make "vigorous efforts" to identify qualified youths of exceptional financial need and encourage them to pursue postsecondary education by:
 - Establishing or strengthening close working relationships with secondary school principals and guidance counselors
 - To the extent feasible, making commitments for financial aid to such students, with special emphasis on students enrolled in 11th grade and lower.
- The Commissioner of Education was given authority to apportion 10% of the total program appropriation among the states under criteria he established to carry out of the program.¹⁴

2.1.1.3 Education Amendments of 1976 extended the authorization of the SEOG program through FY79. The previous authorization levels of \$200 million for new grants and such "sums as necessary" for continuation grants were continued. No program revisions or amendments were made.¹⁵

2.1.1.4 Education Amendments of 1980 extend the SEOG program through FY85. Appropriations are authorized at a level of \$350 million for each FY81-85. Other revisions and amendments include:

- The continuance of separate initial year and continuing year authorizations. However, institutions are now allowed to determine the proportion of SEOG allocations among initial year and continuing year students. (Prior to the 1980 Amendments, institutions were required to

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use initial year allocations only for first-year students and continuing-year allocations only for continuing students unless the Department granted permission to transfer funds from one account to the other.)

- The maximum grant amount is raised from \$1,500 to \$2,000 per year.
- Institutions may use up to 10% of their allocations for grants to less-than-half-time students.
- The formula for institutional allocation is revised. Institutional need for funds is to be determined by subtracting from 75% of student expenses the sum of:
 - Expected family or independent student contributions
 - Awards made under the Pell Grant or State Student Incentive Grant programs
 - 25% of grants and awards made by an institution from its own resources. (However, the Secretary may not penalize institutions required under state law to provide scholarships or grants from their own resources, yet cannot determine selection criteria or select recipients.)
- The formula for individual institutional allocation is also placed on a sliding scale depending upon the amount of total appropriations for each fiscal year:

<u>Total appropriation</u>	<u>Percentage of 79-80 funds assured to institutions</u>
under \$400 million	100%
\$400-\$420 million	80%
\$420-\$440 million	60%
\$440-\$460 million	40%
\$460-\$480 million	20% 16

2.1.2 Funding History

The SEOG program is funded entirely by the Federal Government. Funds are appropriated by Congress for use during the following award period. (See Figure B-2.)

2.2. COLLEGE WORK-STUDY

The College Work-Study Program created under the Economic Opportunity Act of 1964 was transferred from the Office of Economic Opportunity to the Officer of Education by the Higher Education Act of 1965, which also extended the program

FISCAL YEAR	APPROPRIATION (in 000's)	ALLOCATION ^A (in 000's)	EXPENDITURES (in 000's)	NUMBER OF RECIPIENTS	AVERAGE GRANT	NUMBER OF PARTICIPATING INSTITUTIONS
1966	\$ 50,000	\$ 57,823	-	-	-	-
1967	\$113,000	\$ 108,773	\$ 46,003	123,165	\$380	1,383
1968	\$140,000	\$ 136,000	\$ 83,009	202,055	\$410	1,815
1969	\$124,000	\$ 164,000	\$ 113,201	250,175	\$430	1,780
1970	\$184,000	\$ 164,000	\$ 133,814	353,421	\$527	1,950
1971	\$187,700	\$ 177,337	\$ 103,150	297,335	\$515	2,100
1972	\$220,300	\$ 210,300	\$ 173,474	320,780	\$541	2,300
1973	\$210,300	\$ 210,300	\$ 189,000	331,000	\$571	2,302
1974	\$210,300	\$ 210,300	\$ 200,000	305,000	\$606	2,873
1975	\$240,300	\$ 240,300	\$ 201,000	300,000	\$513	2,250
1976	\$240,003	\$ 240,003	\$ 243,702	440,331	\$533	3,400
1977	\$240,000	\$ 250,003	\$ 243,620	498,034	\$480	3,519
1978	\$270,000	\$ 267,000	\$ 200,232	510,073	\$522	3,733
1979	\$340,100	\$ 338,420	\$ 332,793	595,160	\$550	3,750
1980 (est.)	\$370,000	\$ 360,811	\$ 355,440	650,000	\$551	2,850
1981 (proj.)	\$370,000	\$ 370,000	\$ 361,000	652,000	\$554	3,000

^A Includes funds for training.

Note: The SEOG Program began in 1973. Therefore, data shown for 1966-1972 are activities under the old Educational Opportunity Grant Program.

Source: U.S. Department of Education. OSFA Program Book. Compiled by the Office of Student Financial Assistance. Washington, D.C., July, 1981, p. 64.

FIGURE B-2

SEOG - SELECTED HISTORICAL STATISTICS

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through FY68. As originally enacted, the Work-Study program provided Federal matching funds at a 9:1 ratio to pay salaries for the part-time employment of low-income students by either the higher education institution or a private sector employer. The 1965 Higher Education Act also made the following program amendments:

- The participating institution could pay its share of the program cost by furnishing services or supplies.
- Eligibility requirements were relaxed to permit participation in the program by individuals from other than low-income families. However, preference was still given low-income students.
- A provision was enacted to guarantee that work performed by students under this program would neither displace other workers nor interfere with existing contracts or services.
- The definition of eligible institution was revised to conform with the definition used for the other Title IV programs, thus expanding the types of institutions eligible to participate.¹⁷

2.2.1 Revisions and Amendments

2.2.1.1 Higher Education Amendments of 1968 transferred the College Work-Study Program to Title IV, Part C, of the Higher Education Act of 1965, and extended the program through FY71. The 1968 Amendments made the following revisions:

- The definition of eligible institution was broadened to include vocational schools and certain types of proprietary institutions (beginning FY71).
- The 15-hour-per-week work limit for participating students was waived during vacation periods.
- The Federal matching share was set at 80 percent, except as waived by the Commissioner.¹⁸

2.2.1.2 Education Amendments of 1972 extended the Work-Study program through FY75. Revisions and amendments included:

- Redefining student eligibility criteria:
 - Consideration of the actual cost of attending the institution was to be included in determining student participants.
 - "From low-income families" was amended to "with the greatest financial need, taking into account grant assistance" for defining eligible students.

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- Students were also required to show academic or creative promise and the ability to maintain their good standing in order to remain eligible for the program.
- Establishing a new component of a community service learning program. The program provided students part-time employment in projects designed to improve community services or solve particular community problems. (Such fields as health care, welfare, public safety, crime prevention, transportation, recreation, and housing were included.) For FY72, \$25 million was authorized for the community service program; \$50 million was authorized for each FY73-75. Preference to veterans who had served in Indochina or Korea after August 5, 1964, was given in recruiting participants for jobs in the program.¹⁹

2.2.1.3 Education Amendments of 1976 extended the College Work-Study Program through FY82, and significantly increased its authorized appropriations. In FY76 the authorization level had been set at \$420 million. The FY77 level was set at \$450 million, increasing to \$720 million by FY82.

Revisions included:

- Allowing institutions to use a portion of their payments for administrative costs
- Terminating the Federal subsidy to students who earned \$200 or more in excess of their determination of need for each semester
- Allowing institutions to use the lesser of 10 percent or \$15,000 of their allotments to develop or expand job location and development programs (for students during their enrollment in the institution, not for after graduation)
- Requiring participating institutions to provide certain assurances, including an annual report, of the uses of the Work-Study funds and an evaluation of the effectiveness of the program.²⁰

2.2.1.4 Education Amendments of 1980 extended the program through FY85 and raised the authorized appropriations, in yearly gradients, to \$830 million by then. Provisions of the 80 Amendments include:

- Removing the previous emphasis on students "with great financial need"
- Providing that participating institutions
 - May use up to 10 percent of their program allotment for less-than-half-time students
 - Shall receive at least their FY79 allocation in succeeding years unless there is a substantial decline in enrollment

- Must pay student workers the minimum wage
 - May retain up to 10 percent of an allocation for use the succeeding year
 - May use up to \$25,000 for a job location and development program
 - May use up to 10 percent of the administrative allowances to establish community service learning programs
 - Must provide assurances that the Work-Study employment will complement the academic program or vocational goals of each student participant.
- Creating a set-aside of 50 percent of reallocation funds for institutions having cooperative education programs.²¹

2.2.2 Funding History

College Work-Study funds are a combination of Federal and institutional contributions. In general, the Federal share of CW-S funds paid to a student may not exceed 80 percent of the total. An institution may choose to stretch its Federal funds by increasing its contributions to CW-S and using a Federal share of less than 80 percent. Federal funds are appropriated yearly by Congress for use the following academic year. The institutional share may be derived from any source other than Federal funds allocated for the CW-S program. (See Figure B-3.)

2.3 NATIONAL DIRECT STUDENT LOAN

The National Direct Student Loan (NDSL) Program is a continuance of the National Defense Student Loan program authorized by Title II of the **National Defense Education Act of 1958**. The program was transferred to Title IV of the **Higher Education Act of 1965** by the **Education Amendments of 1972**. The purpose of the NDSL program is to assist in establishing and maintaining revolving loan funds at higher education institutions so they may provide low-interest loans for financially needy students.

In the **National Defense Education Act of 1958**, the Commissioner of Education was authorized to enter into agreements with participating higher education institutions for the establishment of student loan funds which would receive Federal capital contributions to institutional contributions in a ratio of 9:1. Federal loans could be provided to the institution to enable it to meet the required 1/9th contribution. Students who demonstrated financial need (with special consideration given those who also demonstrated superior ability in certain academic disciplines) were eligible to borrow up to \$1,000 annually up to an aggregate amount of \$5,000.

<u>FISCAL YEAR</u>	<u>APPROPRIATIONS (in 000's)</u>	<u>ALLOCATED^A (in 000's)</u>	<u>NUMBER OF RECIPIENTS</u>	<u>AVERAGE INCOME</u>	<u>NUMBER OF PARTICIPATING INSTITUTIONS</u>
1965	\$ 55,710	\$ 54,865	115,000	\$290	1,095
1966	99,123	99,966	275,000	380	1,534
1967	134,100	134,099	300,000	425	1,700
1968	139,900	133,750	352,436	410	1,860
1969	139,900	143,434	385,000	450	2,177
1970	152,460	146,539	425,000	470	2,386
1971	158,400	312,692			
			600,000 ^B	640 ^B	2,524 ^B
1972	426,600	272,175			
1973	270,200	270,200	556,000	532	2,696
1974	270,200	270,200	570,000	518	2,992
1975	420,000	420,000	570,000	518	3,154
1976	390,000	390,000	696,661	626	3,215
1977	390,000	497,615	845,275	555	3,221
1978	435,000	454,001	852,475	573	3,197
1979	550,000	547,023	922,621	646	3,220
1980 (est.)	550,000	547,721	975,620	622	3,300
1981 (proj.)	550,000	550,000	980,000	625	3,350

^A For some years allocation greater than appropriation which reflects carry-over from previous year.

^B Grant period is eighteen months - (January 1, 1971 - June 30, 1972).

Source: U.S. Department of Education, OSFA Program Book. Compiled by the Office of Student Financial Assistance. Washington, D.C., July, 1981, p. 73.

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Student borrowers who transferred institutions could transfer their loans if the second institution participated in the program. Repayment of the loans began one year after the student ceased full-time attendance and had to be completed 10 years after the beginning of the repayment period. The interest rate on the loans was 3 percent, accruing from the beginning of the repayment period. Loan repayments could be delayed, and up to 50 percent of the debt could be cancelled under specified conditions.²²

2.3.1 Revisions and Amendments

2.3.1.1 Higher Education Act of 1965 amended the National Defense Student Loan as follows:

- The loan funds could be used to cover up to one-half the institution's administrative costs, including collection costs. The maximum funds which could be used was 1 percent of outstanding loans.
- The repayment period was amended to begin nine months following the date the borrower ceased to be at least a half-time student. However, the delay in repayment was extended to include three years half-time study.
- The institution could require a minimum monthly repayment of \$15 and could assess penalties for late repayment or late submission of evidence for delay in repayment.
- The forgiveness provision was expanded to allow cancellation of the entire loan obligation at the rate of 15 percent per year for persons teaching in areas of high concentrations of low-income families.
- Institutional eligibility was broadened by revising the eligibility provisions to conform to the definition provided under Title IV Part B.²³

2.3.1.2 Higher Education Amendments of 1968 extended the NDSL program through FY72, and authorized the following revisions:

- Entitled institutions to a payment from their student loan fund in lieu of a reimbursement for administrative expenses during each fiscal year. The payment equaled 3 percent of the principal amount of the loans made from the fund for each year.
- Extended the 50 percent forgiveness provision for persons entering the teaching profession through FY70.
- In determining eligibility, eliminated the special consideration previously given students with superior academic backgrounds.
- Broadened institutional eligibility to include proprietary schools.²⁴

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2.3.1.3 Education Amendments of 1972 extended the NDSL program through 1975 and authorized appropriations of \$400 million for each year. The 72 Amendments also transferred the program to Title IV, Part E of the Higher Education Act of 1965. The following revisions and amendments were incorporated into the program:

- An "apportionment of appropriations" formula for disbursement of NDSL funds to the states was established. Ninety percent of the funds would be apportioned to the states in the same ratio as the proportion of full-time students in a state to the national total of full-time students. The remaining 10 percent would be divided among the states at the discretion of the Commissioner of Education in order to achieve a distribution of funds which would most effectively carry out the purpose of the program. Postsecondary institutions who wished to participate in the NDSL program and to receive Federal capital contributions had to submit applications as required.
- The existing annual loan ceilings of \$1,000 for undergraduate students and \$2,500 for graduate students were removed. These were replaced with aggregate loan ceilings of \$2,500 for students in the first 2 years of college, \$5,000 for those who had completed the first 2 years of undergraduate study, and \$10,000 for graduate or professional students (including their undergraduate loans).
- The minimum monthly payment an institution could require was raised to \$30.
- Consideration of parental income or assets was exempted in determining the financial need of a student who was a veteran.
- The provision allowing an institution to borrow from the government to meet its 1/9th required contribution to the loan fund was deleted.
- The forgiveness provisions were revised:
 - A forgiveness rate of 15 percent for the first two years, 20 percent for the second two years, and 30 percent for the fifth year was established for those serving as teachers in a Title I (low-income) school or as teachers of the handicapped.
 - A rate of 15 percent per year was established for full-time service as a staff member in the VISTA program.
 - A rate of 12.5 percent per year, not to exceed a total of 50 percent of the loan was established for those serving in the armed forces in an area of hostility.²⁵

2.3.1.4 Education Amendments of 1976 authorized Federal capital contributions to the program through FY 1979 at the previous annual level of \$400 million. The 1976 Amendments included a new provision which required institutions to notify the Office of Education when a loan repayable in monthly installments had been in default for 120 days or a loan repayable in less frequent installments had been in default for 180 days. New loan terms were also enacted:

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- Institutions no longer were required to notify the Office of Education before suspending the eligibility of students who failed to maintain good standing.
- Borrowers were allowed to begin their repayments earlier than nine months after ceasing to be half-time students.
- Institutions could allow borrowers to pay less than the \$30 monthly minimum for a period not to exceed 1 year.
- For loans made after June 23, 1972, the borrower's liability would be cancelled upon death or disability.²⁶

2.2.1.5 Education Amendments of 1980 changed the NDSL program in various ways. The most major change was the authorization of two separate funding methods for the program. The previous NDSL financial structure was retained and extended through FY85, with authorized direct appropriations increasing gradually from \$400 million to \$625 million. Also, a second approach allowing the Secretary of Education to raise capital for NDSL by borrowing through the Treasury Department or the Federal Financing Bank was authorized. Provisions of this option include:

- The decision whether and how much to borrow is to be determined by the annual appropriations process. Such borrowing is also contingent on terms approved by the Treasury Secretary.
- Funds from borrowing will be allocated directly to the institutions and not be subject to the state allocation formula. Institutional allotments will be based on need, taking into account:
 - Cost of attendance
 - Student need
 - Available financial assistance (except GSL).

(However, institutions are guaranteed the amount they received in FY80.)
No institutional match is required.

- In years when over \$1 billion is borrowed, repayments on loans made under the original campus revolving funds program (minus the institution's 10 percent share) would revert to the Federal Treasury.
- Institutions would have the option to (1) originate loans only and receive an administrative payment of \$10 per loan, or (2) originate and service loans and continue to receive the full administrative payment.

Other revisions of the NDSL program in the 80 Amendments include:

- Increasing the interest rate from 3 percent to 4 percent

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- Shortening the grace period between termination as a half-time student and beginning of loan repayment from nine months to six months
- Amending the collection practices to require the Department of Education to provide postsecondary institutions with the names and addresses of borrowers and to enter into agreements with credit bureaus to exchange information on loan default cases
- Increasing the aggregate loan limits:
 - \$3,000 for students in their first two years of an undergraduate program
 - \$6,000 for students having completed the first two years
 - \$12,000 for graduate and professional students
- Extending repayment deferrals to:
 - Officers in the Commissioned Corps of the Public Health Services
 - Full-time volunteers in service for a non-profit organization comparable to that of the Peace Corps or VISTA
 - Those serving a required internship before commencing professional practice
 - Those disabled due to illness or injury.²⁷

2.3.2 Funding History

NDSL funds are a combination of Federal and institutional capital contributions in a 9:1 proportion. The Federal capital contribution is appropriated annually by Congress for use the following academic year. Allotments to states are based on the number of full-time postsecondary students enrolled in a state compared with the total enrollments in the nation. Institutional allotments within a state are based on their approved applications. (See Figure B-4.)

FISCAL YEAR	APPROPRIATIONS (in 000's)	LOANS TO STUDENTS (in 000's)	NUMBER OF BORROWERS	AVERAGE LOAN	NUMBER OF PARTICIPATING INSTITUTIONS
1959	\$ 30,883	\$ 9,502	24,831	383	1,196
1960	40,393	50,152	115,450	434	1,359
1961	57,474	70,962	151,068	470	1,412
1962	73,845	89,102	186,465	478	1,470
1963	90,000	113,732	216,930	478	1,528
1964	121,168	119,536	246,840	484	1,560
1965	145,000	166,608	319,974	522	1,616
1966	179,300	214,333	377,722	568	1,639
1967	190,000	221,600	395,000	561	1,694
1968	190,000	233,700	429,000	521	1,738
1969	190,000	240,839	455,998	540	1,818
1970	188,785	240,541	452,144	532	1,867
1971	236,500	311,965	547,307	570	2,092
1972	309,600	397,749	645,696	616	2,186
1973	286,000	433,000	655,000	661	2,293
1974	286,000	440,000	680,000	647	2,643
1975	321,000	460,000	690,000	667	2,985
1976	321,000	559,487	764,591	732	3,167
1977	310,500	614,868	795,134	773	3,284
1978	310,500	640,424	808,616	792	3,326
1979	310,500	645,684	953,190	671	3,274
1980 (est.)	286,000	710,816	860,552	826	3,222
1981 (proj.)	186,000	647,598	780,238	830	3,500

Source: U.S. Department of Education. OSFA Program Book. Compiled by the Office of Student Financial Assistance. Washington, D.C., July, 1981, pp. 54-55.

3.0 GUARANTEED STUDENT LOAN PROGRAM

What has come to be known as the Guaranteed Student Loan Program was created in the **Higher Education Act of 1965** as part of the Congressional response to President Johnson's proposals for student support. The original legislation had three main purposes which hold constant today:

- To encourage states and nonprofit private institutions to establish adequate loan insurance programs for college students
- To provide a Federal program of loan insurance for students who do not have access to other programs
- To subsidize a portion of the interest on loans made by student borrowers.

To accomplish these purposes, the 1965 legislation contained three major provisions: (1) authorization of advances for reserve funds for state and private nonprofit loan insurance programs; (2) establishment of a Federal loan insurance program; and (3) authorization of a program to pay interest subsidies on loans made by student borrowers.

Advances for Reserve Funds

An appropriation of \$17.5 million was authorized over FY66-69 to aid in establishing or strengthening state and private nonprofit loan insurance programs for postsecondary students. The Commissioner of Education was given the authority to extend advances to private nonprofit programs if state programs were nonexistent or judged to be noncomprehensive. The intent of the reserve fund advances was to ensure that students in all eligible institutions would be able to participate in an insured loan program. Apportionment of the advance funds was in proportion to each state's population aged 18-22. The Commissioner was given authority to regulate terms and conditions for the awarding of advances and for their repayment.

Federal Student Loan Insurance

The Federal program for student loan insurance was originally authorized as a temporary measure to provide assistance until state and private nonprofit loan

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insurance programs were accessible to all eligible students wishing to secure a loan. (\$700 million in loans could be insured during FY66; \$1 billion in FY67; and \$1.4 billion in FY68.) After 1968, Federal loan insurance was to be available only to students having previously secured loans under the program to allow them to complete their studies. Under the original legislation, no Federal insurance could be granted for student loans made after June 30, 1972.

Other provisions of the Federal loan insurance program included:

- Upon receipt of an appropriate application by an eligible lender, the Commissioner of Education could issue a certificate of comprehensive insurance coverage which would insure all student loans made in accordance with the law and regulations by the lender before a specified cutoff date.
- The Federal insurance would cover 100 percent of each loan's unpaid principal. The maximum annual insurable loan for undergraduate students was \$1,000, with a \$5,000 maximum aggregate of principal. Graduate or professional students were insured for annual loans of \$1,500 maximum, with an aggregate of \$7,500 principal.
- Borrowers were eligible for Federally insured loans if they had been accepted by, or were attending in good standing, an eligible institution. Students had to maintain at least a half-time status. Also, the borrower had to submit to the lender an institutional expense statement.
- The interest rate of the Federally insured loans was set at 6 percent (under certain circumstances, 7 percent); the minimum annual repayment was \$360. The repayment period, beginning 9-12 months after the student left school, was between 5 and 10 years. Deferments of up to three years were granted borrowers serving in the military or the Peace Corps; however, interest would continue to accrue.

The Act made provision for the government to repay the "amount of loss" on a Federally insured student loan, or a student loan insured through a state or private nonprofit agency under the program, in the case of default by the borrower, or because of the borrower's death or permanent disability. The "amount of loss" covered only the unpaid balance of the loan principal.

Interest Subsidies

The third segment of the student loan program provided an interest subsidy for Federally insured loans and loans insured by a state agency or private nonprofit

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organization under the program. Student borrowers were eligible for the interest subsidy if their adjusted family income was less than \$15,000 a year. (Adjusted family income considered income, assets, number of dependents, and number of dependents attending postsecondary institutions.) Under this provision, the government paid all interest while the borrower attended school on at least half-time status, and 3 percent of the interest during the repayment period.

For the first two years of the program, interest subsidies were available for loans insured through state and private nonprofit plans which limited the interest rate to 6 percent and provided a grace period of at least 60 days after a borrower left school before repayment began.

After June, 1967, state and private loan insurance programs had to include the following provisions for borrowers to receive interest subsidies:

- Authorize the insurance of at least \$1,000 but not more than \$1,500 in loans for any eligible student each academic year
- Authorize loan insurance for any eligible student for at least six academic years
- Provide no penalties for accelerated repayment; the period of any loan could not exceed 15 years from the date of execution; and the note must contain default provisions prescribed by regulations
- Provide a repayment period on loans exceeding \$2,000 of between 5 to 10 years, beginning 9 to 12 months after the borrower ceased to sustain half-time student status
- Limit interest paid by the student to 6 percent per year on unpaid principal balances
- Insure at least 80 percent of the unpaid principal balances
- Not allow collection of excessive premiums
- Provide that the benefits of the program will not be denied any student because of family income or lack of need, if adjusted family income is less than \$15,000
- Provide that a student may obtain loan insurance for any year of study
- For state programs, provide that the program be administered or supervised by a single state agency.

In addition to establishing these three major program components, the 1965 Act also included provisions allowing Federal credit unions to use up to 10 percent of their

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assets for insured loans under the program to student members, and the establishment of an Advisory Council on Insured Loans to Students to advise the Commissioner of Education on matters of policy and procedure.²⁸

3.1 REVISIONS AND AMENDMENTS

3.1.1 Higher Education Amendments of 1968 extended all three components of the loan program for three years, including the "temporary" Federal direct loan insurance provision.

Specific revisions to the reserve fund advance program included:

- Requiring an equal amount in matching non-Federal funds from recipient state agencies and private institutions before an advance could be made
- Authorizing Federal payment of limited administrative costs to state student loan programs which were required by state law to limit interest rates to 7 percent or below

Substantive changes were made in the loan insurance provisions:

- Because of rising market interest rates, the interest charged to student borrowers was raised from 6 percent to 7 percent
- The Federal liability for default costs in states with a state agency to guarantee student loans was reduced from 100 percent to 80 percent. The states were made responsible for the remaining 20 percent
- The Federal Government would continue to insure lenders directly at 100 percent where no state agency existed. These loans would be made under the Federally Insured Student Loan (FISL) program. FISL also would directly serve postsecondary institutions which chose to make student loans from their own capital
- The National Vocational Student Loan Insurance Act of 1965 was merged into the student loan insurance program (HEA-1965). "Eligible institution" was redefined to include vocational schools.
- Approved pension funds were allowed to participate in the loan insurance program.
- The maximum aggregate loan amount for undergraduate students was revised upward from \$5,000 to \$7,500 (thus matching the previously established maximum for graduate and professional students).
- The "amount of loss" for which the Federal Government was liable in case of death or disability of the student borrower was expanded to include the interest owed on the loan.

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The 1968 Amendments extended the full loan interest subsidy for students maintaining at least half-time enrollment status, but eliminated the 3 percent subsidy for borrowers during the repayment period. The Amendments also authorized deferment of repayment of non-Federally insured loans (those insured through state agencies or private nonprofit organizations) while the borrower was enrolled full-time at a postsecondary institution, or for a maximum of three years while the borrower was serving in the military, Peace Corps, or VISTA. Federal payment of interest accruing during deferment periods was authorized.²⁹

3.1.2 The Emergency Insured Student Loan Act was passed by Congress in 1969 again because of rising market interest rates. It provided a special allowance to be paid by the government to student loan lenders. The allowance was based on the total amount of unpaid student loans held by each lender. This amount, set each quarter, could not exceed 3 percent of the cumulative amount the lender had lent to date.³⁰

3.1.3 Education Amendments of 1972 extended the GSL program through FY75. The individual maximum annual insurable loan amount was raised from \$1,500 to \$2,500, and the Commissioner of Education was given the discretion to set a higher amount in cases where he felt it warranted. The \$7,500 maximum aggregate remained for undergraduate students; graduate and professional students were allowed a total maximum aggregate amount of \$10,000. Also, the Federal insurance liability was increased to cover 100 percent of the unpaid balance plus interest.

Interest subsidy provisions were revised to require postsecondary institutions to determine need for potential borrowers.

- For students with an adjusted family income of less than \$15,000, the institution had to (1) determine the amount of need for a loan (by subtracting the expected family contribution, other resources, and expected other student financial aid from the cost of attendance); (2) provide the lender with a statement of need; and (3) recommend to the lender the amount for the loan.
- For students with adjusted family income of \$15,000 and above, the institution was required to (1) determine if the student was in need of a loan in order to attend the school; (2) determine the amount of need; (3) provide the lender with a statement of need; and (4) recommend to the lender the loan amount.

Also, the government was authorized to pay administrative cost allowances to lenders on loans to any student, regardless of the student's need.

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The 1972 Amendments authorized the Commissioner of Education to prescribe regulations for fiscal audits of institutions regarding any funds obtained from students who had received insured loans and to establish standards for institutional fiscal responsibility and capability to administer student financial aid programs. Institutional eligibility for the insured loan program could be limited, suspended, or terminated if the regulations were failed or violated.

The most significant provision of the 1972 Amendments was the creation of the Student Loan Marketing Association, a government-sponsored private corporation to serve as a secondary market and warehousing facility for insured student loans. The purpose of SLMA was to encourage lenders to participate in insured student loans. Sallie Mae, as the Association has come to be known, was authorized to make advances on the security, purchasing, servicing, and selling of insured student loans.³¹

3.1.4 Education Amendments of 1976 brought a great many programmatic and technical changes to the GSL programs. However, the three major program components of reserve funds advances, direct Federal loan insurance, and interest subsidies were extended in their basic forms. New impetus was given the concept of encouraging states to establish programs of student loan insurance; the Commissioner was authorized to "develop and execute" a plan to achieve this end.

In conjunction with the Federal advances for reserve funds for state and private nonprofit student loan insurance programs, a new authorization for "such sums as necessary" was included in the 1976 Amendments for the purpose of advancing funds to each state for making payments under its insurance obligations. The amount for such payments was limited to the greater of \$50,000 or 10 percent of the insured principal by each agency. This amount was reduced by the amount of any prior advances and/or the amount of the unspent balance of advances to the agencies' reserve funds. Advances were authorized for three years for states in the previous reserve fund advance program, and five years for states newly entering the program. Private nonprofit organizations could receive the advance in states having no guarantee program.

The Amendments prohibited issuing certificates of insurance by the Federal government to lenders in a state where the Commissioner determined every eligible institution had reasonable access to state or private nonprofit loan insurance programs. Educational institutions already holding a certificate would continue to receive the Federal insurance unless it was determined that reasonable access could be provided without the institution's participation.

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The direct Federal loan insurance program was extended by the 1976 Amendments, with an annual authorization for up to \$2 billion in new loans insured, through FY81. The following new provisions were included in the program's extension:

- Undergraduate students were still limited to a \$2,500 annual insured loan; graduate and professional students were now allowed a \$5,000 annual amount. The \$7,500 aggregate amount was maintained for undergraduate borrowers, but the \$10,000 aggregate for graduate/professional students was raised to \$15,000.
- Loans made by state agencies or educational institutions to first-year students were limited to the lesser of \$2,500 or 50 percent of the cost of attendance. Also, loans of over \$1,500 to first-time students had to be made in 2 or more installments.
- Federal liability for 100 percent of unpaid principal and interest was maintained, with the new exception that liability was reduced to 90 percent for state or private lenders' default claims which exceeded 5 percent of their total unpaid loans maturing the previous year, and 80 percent on the excess if claims payments had exceeded 9 percent. This exception did not apply to agencies in their first five years of operations.
- Student borrowers were now required to notify promptly the lending agency of a change of address.
- Borrowers could make agreements with the lending agency to begin repayment earlier than after the 9- to 12-month grace period and to complete loan repayment sooner than the 5-year minimum repayment period.
- The deferment conditions were expanded to include a one-year period if borrowers were unable to find full-time employment.
- Academic institutions were now required to be notified when a federally insured loan was procured by attending students.
- Loan payments were required to be made by check, requiring the borrower's endorsement.
- The \$360 minimum annual individual repayment was continued, with a new exemption for both a husband and wife each having outstanding loans. In such cases, the minimum annual repayment was \$360 for the couple.

The 1976 Amendments reauthorized the student loan subsidy program and broadened eligibility by raising the adjusted family income level from \$15,000 to \$25,000. Student borrowers with adjusted family incomes below \$25,000 were automatically eligible for the subsidy; those with adjusted incomes above \$25,000 were

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eligible for the program if their educational institution provided the lender with statements documenting need and recommending the loan amount.

The **Amendments** also restructured the subsidy payments to private sector eligible lenders (i.e., those other than state agencies and educational institutions). Such lenders making loans in multiple disbursements during an academic year would now be paid interest subsidies and special allowance payments as if the entire loan had been disbursed on the date of the first installment.

Loan subsidy payments would be provided student loans made through eligible lenders, if the loan terms adhered to those specified for loans covered by the Federal loan insurance program (see page B-30). An additional provision required borrowers, within four months of ceasing to be half-time students, to negotiate a repayment schedule with their lenders.

Federal reinsurance payments to state and private nonprofit guarantee agencies were extended by the 1976 **Amendments** to cover accrued interest as well as 80 percent of losses on loan principal on loans with interest subsidy. Also, a new supplementary agreement was established which provided a program of increased Federal reinsurance for participating state and private agencies. Under the agreement, the reinsurance would cover 100 percent of losses on loan principal and interest for Federal default claim payments made to guarantee agencies under the direct Federal student loan insurance program.

Agencies collecting defaulted reinsured loans were now allowed to retain up to 30 percent of the collected funds for administrative costs. (Prior to the 1976 **Amendments**, agencies could keep only 20 percent of collected funds from reinsured loans in default; the rest of the money went to the Federal Government.)

Other new provisions in the **Education Amendments of 1976** included:

- Authorizing an annual \$10 payment per guaranteed loan recipient to each institution, first for the purpose of disseminating information about student financial aid programs, cost of attendance, and academic programs to current and prospective students, and then for additional administrative costs
- Authorizing Federal payments to state and private guarantee agencies to cover up to one-fourth the administrative costs of securing private lender participation, and one-half the costs of loan collections and preclaim assistance. The total amount of Federal payments for these purposes could not exceed .05 percent of the total amount of student loan principal insured by the agency, except for those participating in the supplemental agreement, which were eligible for an additional .05 percent payment

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- Authorizing the Commissioner of Education to enter into contracts with collection and state guarantee agencies to collect defaulted loans
- Restricting educational institutions from making loans to more than 50 percent of its students or from making loans to undergraduate students not previously receiving an institutional loan, unless the student provides documentation that he or she was denied a loan from an eligible lender
- Excluding from eligibility educational institutions which use commercial salesmen to promote guaranteed loans
- Including in the definition of eligible institution those which enroll students beyond the age of compulsory attendance who do not have a high school diploma or G.E.D.
- Authorizing Federal repayment of loans discharged because of bankruptcy, only if the discharge is granted five years or later after the repayment period began
- Revising the method of determining Federal special allowance payments to lenders: (1) determining the average of 91-day Treasury bill rates; (2) subtracting 3.5 percent from the rate; and (3) rounding the total upward to the nearest 1/8th percent
- Establishing a Committee on the Process of Determining Student Loan Special Allowances to devise better methods for determining the allowance and more efficient methods for disbursement.³²

3.1.5 Middle Income Student Assistance Act of 1978 made no structural changes to the Guaranteed Student Loan Program, but did, in keeping with the purpose of the Act, expand eligibility for participating in the program. The Act repealed the \$25,000 adjusted family income limit for students to receive interest subsidies without having an institutional need analysis. Under the revised provisions, the institution had only to submit to the lender the student's estimated cost of attendance and estimated financial assistance. (Institutional determination of existing need and recommendation of loan amount were deleted.)

The Act also expanded repayment deferral provisions to include time spent in rehabilitation training programs by disabled borrowers.³³

3.1.6 Education Amendments of 1980 extends the Guaranteed Student Loan Program through FY85 and makes several revisions to its terms:

- A new category, independent undergraduate students, is added to the eligible borrowers, with an annual maximum insured loan amount set at \$3,000. The previous maximum annual loans of \$2,500 for dependent

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undergraduates and \$5,000 for graduate and professional students remained unchanged.

- Aggregated insured loan amounts are raised:
 - \$12,500 - dependent undergraduates
 - \$15,000 - independent undergraduates
 - \$25,000 - graduate/professional.
- Effective January 1, 1981, the interest rates on insured loans for new borrowers in the program is raised to 9 percent. (This rate can be lowered to 8 percent if the annual average of bond equivalent rates of three-month Treasury bills drops to 9 percent or below.)
- Four new categories are included for borrowers eligible for deferral of loan repayment:
 - those serving in the Commissioned Corps of the Public Health Service,
 - volunteers for nonprofit service organizations similar to VISTA or the Peace Corps,
 - those serving internships required to obtain professional status,
 - those totally disabled by illness or injury, or caring for a spouse so disabled (3-year maximum deferral).
- The grace period between termination of half-time student status and the beginning of repayment is reduced from 9-12 months to 6 months.
- Borrowers having (1) insured loans from more than 1 lender; (2) loans under 2 or more Federally guaranteed loan programs (including NDSL); or (3) loan(s) in excess of \$7,500 are eligible to consolidate their loans for reduced or extended payments through the state/private nonprofit guarantee agencies or through SLMA.
- To improve loan collection, the Secretary of Education is authorized to enter into agreements with credit bureau organizations for the purpose of exchanging information on defaulters.

Under the 1980 Amendments, state guarantee agencies and private nonprofit guarantee organizations are given an expanded role in the GSL program. These agencies and organizations are authorized to:

- Make loans directly to eligible student borrowers unable to secure loans from private commercial lenders
- Determine borrowers' enrollment status and audit loan notes
- Provide loan servicing to lenders.

A new loan program for parents (Parental Loans for Undergraduate Students - PLUS) was authorized in the 1980 Amendments. Under this program, parents of

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eligible dependent undergraduate students can secure a guaranteed loan up to \$3,000 annually (\$15,000 total) at the same 9 percent interest rate applicable to the student loans. Repayment of the parental loans begins 60 days after the loan is made, with no interest subsidies or deferral options.

The role of the Student Loan Marketing Association was expanded by the 1980 **Amendments** to allow direct advances to state agencies and private organizations serving as lenders of last resort to students otherwise unable to obtain insured loans. (The amount of the advance to each agency cannot exceed 25 percent of the average amount of loans guaranteed by the agency for the previous 3 years.) SLMA was also given expanded authority in providing loan consolidations directly to eligible borrowers, in collecting loans, and in raising capital. The **Amendments** also made SLMA an independent organization and deleted "government sponsored" from its original description.

Finally, the 1980 **Amendments** authorized the Student Loan Information Program, under which eligible lenders must provide to the borrowers accurate and thorough information of the terms on loans insured or guaranteed at the time the loan is made.³⁴

3.2 FUNDING HISTORY

The Guaranteed Student Loan program is funded mainly by private lenders' capital. Federal funds are allocated annually for the Student Loan Insurance Fund (SLIF) to pay interest subsidies, the Special Allowance to participating lenders, administrative cost allowances to state and private nonprofit guaranty agencies, and claims on unpaid loans from borrower default, bankruptcy, disability, or death.

Other funds are received into the GSI program through collection of defaulted loans and insurance premiums charged on each loan. (See Figure B-5.)

Year	Appropriations (in Millions)(A)	Amount Committed (in Millions)	Number of Loans (in 000's)	Average Loan	Interest Paid (in 000's)	Special Allowance Paid (in 000's)
1966	\$ 10	\$ 73	89	\$ 820	-	-
1967	46	244	267	910	\$ 8,422	-
1968	40	428	490	873	26,889	-
1969	75	874	756	892	40,409	-
1970	73	811	863	940	80,473	\$ 4,955
1971	181	1,015	1,017	998	120,923	10,552
1972	200	1,374	1,201	1,061	171,700	10,123
1973	202	1,171	1,030	1,127	203,300	33,300
1974	300	1,139	938	1,215	222,300	85,000
1975	500	1,290	991	1,311	209,544	120,813
1976	808	1,820	1,390	1,400	252,321	96,827
1977	357	1,627	973	1,581	225,300	105,000
1978	400	1,950	1,005	1,800	240,644	194,540
1979	950	2,904	1,510	1,927	205,044	401,305
1980	1,009	4,040	2,314	2,001	203,004	804,628
1981 (est.) (B)	1,913	5,100	2,800	1,821	540,761	1,090,844

(A) Consist of funds added to the Student Loan Insurance Fund for payment of Interest, Special Allowances and Claims. Does not include \$77 million in Advance Reserve Funds distributed to States participating in GSL over the years. Cumulative through September 30, 1979.

(B) Includes funds for Parent Loans for Undergraduate Students Program (PLUS).

Source: U.S. Department of Education. OSFA Program Book. Compiled by the Office of Student Financial Assistance. Washington, D.C., July, 1981, p. 37.

FIGURE B-5

GUARANTEED STUDENT LOAN-SELECTED HISTORICAL STATISTICS

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NOTES

¹Chester E. Finn, Jr., Scholars, Dollars, and Bureaucrats (Washington: The Brookings Institution, 1978), p.60.

²Finn, pp. 5-6.

³Finn, p. 60.

⁴Lawrence E. Gladieux and Thomas R. Wolanin, Congress and the Colleges: The National Politics of Higher Education (Lexington, MA: D.C. Heath & Co., 1976), p. 9.

⁵Gladieux and Wolanin, p. 15.

⁶Finn, p. 8.

⁷Harold Barger and Gwyneth Barger, College on Credit: A History of United Student Aid Funds 1960-1980 (Indianapolis: Hackett Co., 1981), p.13

⁸U.S., Education Amendments of 1972 (P.L. 92-318), Title I - Higher Education, Part D - Student Assistance, Sec. 131.

⁹U.S., Education Amendments of 1976 (P.L. 94-482), Title I - Higher Education, Part D - Student Assistance, Section 121.

U.S., Library of Congress, "The Higher Education Act: Changes Made by Education Amendments of 1976 (P.L. 94-482)," compiled by James Stedman (Washington, D.C.: Congressional Research Service, Education and Public Welfare Division, 1976) pp. 12-14.

¹⁰U.S. Middle Income Student Assistance Act of 1978 (P.L. 95-566), Sections 2-9.

U.S., Library of Congress, "Middle Income Student Assistance Act: A Section-by-Section Description of Public Law 95-566," compiled by James Stedman (Washington, D.C.: Congressional Research Service, Education and Public Welfare Division, 1979), pp. 1-7.

¹¹U.S., Education Amendments of 1980 (P.L. 96-374), Title IV - Student Assistance, Part A - Grants to Students in Attendance at Institutions of Higher Education, Section 402.

"Report from Washington on the 1980 Reauthorization of the Higher Education Act" (Washington, D.C.: College Board, 1980), pp. 4-5.

¹²U.S., Higher Education Act of 1965 (P.L. 89-329), Title IV - Student Assistance, Part A - Educational Opportunity Grants, Sections 401-408.

U.S., Library of Congress, "The Higher Education Act of 1965 (Public Law 89-329)" (Washington, D.C.: Legislative Reference Service, Education and Public Welfare Division, 1965), pp. 9-10.

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¹³U.S., Higher Education Amendments of 1968 (P.L. 90-575), Title I - Student Assistance, Part A - Amendments to Educational Opportunity Grant Program, Sections 101-103.

¹⁴U.S., Education Amendments of 1972, Section 131.

¹⁵U.S., Education Amendments of 1976, Section 122.

¹⁶U.S., Education Amendments of 1980, Section 403.

"Report from Washington on the 1980 Reauthorization of the Higher Education Act," pp. 6-7.

¹⁷U.S., Higher Education Act of 1965, Title IV - Student Assistance, Part C - College Work-Study Program Extension and Amendments, Section 441.

¹⁸U.S., Higher Education Amendments of 1968, Title I - Student Assistance, Part C - Amendments to College Work-Study Program, Sections 131-139.

U.S., Library of Congress, "Higher Education Amendments of 1968," compiled by Colleen Campbell (Washington, D.C., Congressional Research Service, Education and Public Welfare Division, 1968), p. 2.

¹⁹U.S., Education Amendments of 1972, Section 135.

U.S., Library of Congress, "Major Provisions of the Education Amendments of 1972 - P.L. 92-318," compiled by Colleen Campbell (Washington, D.C., Congressional Research Service, Education and Public Welfare Division, 1972), p.5.

²⁰U.S., Education Amendments of 1976, Section 128.

U.S., Library of Congress, "Changes Made by Education Amendments of 1976," pp. 35-37.

²¹U.S., Education Amendments of 1980, Title IV - Student Assistance, Part C - Work-Study Programs, Section 431-437.

"Report from Washington on the 1980 Reauthorization of the Higher Education Act," p. 8.

²²U.S., Library of Congress, "Federal Student Loan Programs 1958-1974," compiled by James Stedman (Washington, D.C.: Congressional Research Service, Education and Public Welfare Division, 1975), pp. 3-4.

²³U.S., Higher Education Act of 1965, Title IV - Student Assistance, Part D - Amendments to National Defense Education Act of 1958, Sections 461-467.

U.S., Library of Congress, "Higher Education Act of 1965," p. 14.

²⁴U.S., Higher Education Amendments of 1968, Title I - Student Assistance, Part F - Amendments to National Defense Student Loan Program, Sections 171-175.

²⁵U.S., Education Amendments of 1972, Section 137.

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U.S., Library of Congress, "Education Amendments of 1972," p. 5.

²⁶U.S., Education Amendments of 1976, Section 130.

U.S., Library of Congress, "Changes Made by Education Amendments of 1976," pp. 38-39.

²⁷U.S., Education Amendments of 1980, Title IV - Student Assistance, Part D - National Direct Student Loans, Sections 441-448.

"Report from Washington on the 1980 Reauthorization of the Higher Education Act," pp. 8-10.

²⁸U.S., Higher Education Act of 1965, Title IV - Student Assistance, Part B - Federal, State, and Private Programs of Low-Interest Insured Loans to Students in Institutions of Higher Education, Sections 421-434.

U.S., Library of Congress, "Higher Education Act of 1965," pp. 10-13.

²⁹U.S., Higher Education Amendments of 1968, Title I - Student Assistance, Part B - Amendments to Insured Student Loan Program, Sections 111-120.

Scott Miller et al., "Guaranteed Student Loans: A Background Paper" (Washington, D.C.: National Commission on Student Financial Assistance, 1982), p.15.

³⁰Miller, Guaranteed Student Loans, pp. 15-16.

³¹U.S., Education Amendments of 1972, Sections 132A-132F; 133-134.

U.S., Library of Congress, "Major Provisions of the Education Amendments of 1972," p.4.

³²U.S., Education Amendments of 1976, Section 127.

U.S., Library of Congress, "Education Amendments of 1976," pp. 20-35.

Miller, "Guaranteed Student Loans," p. 16.

³³U.S., Middle Income Student Assistance Act of 1978, Section 5.

U.S., Library of Congress, "Middle Income Student Assistance Act," p. 5.

Miller, "Guaranteed Student Loans," pp. 16-17.

³⁴U.S., Education Amendments of 1980, Title IV - Student Assistance, Part B - Guaranteed and Insured Student Loans, Sections 411-423.

"Report from Washington on the 1980 Reauthorization of the Higher Education Act," pp. 10-14.

Miller, "Guaranteed Student Loans," pp. 17-18.

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APPENDIX C

GLOSSARY

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- I. U.S. Department of Education (ED)
 - A. Secretary - Office of the Secretary of Education
 - B. Finance - Office of the Finance-Controller, part of the Office of Management
 - 1. EDPMTS - Department of Education Payment System
 - C. OPBE - Office of Planning, Budget, and Evaluation
 - D. OPE - Office of Postsecondary Education
 - 1. EAES - Eligibility and Agency Evaluation Staff
 - a. CEU - College Eligibility Unit
 - b. OSEU - Occupational School Eligibility Unit
 - 2. OSFA - Office of Student Financial Assistance
- II. Office of Student Financial Assistance (OSFA)
 - A. DPPD - Division of Policy and Program Development
 - B. DCPR - Division of Certification and Program Review
 - 1. ILCB - Institution and Lender Certification Branch
 - a. LRS - Lender Review Section
 - C. DPO - Division of Program Operations
 - 1. GSL Branch - Guaranteed Student Loan Branch
 - a. TBS - Transaction and Billing Section
 - b. CCS - Claims and Collections Section
 - 2. EDFMIS - Department of Education Financial Management Information System
 - 3. PIMS - Program Information and Monitoring System
 - D. DSDD - Division of Systems Design and Development
- III. Other Federal Agencies and Offices
 - A. AMPS - Assistance, Management, and Procurement Services
 - B. FEDAC - Federal Education Data Acquisition Services
 - C. GPO - Government Printing Office

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- D. OMB - Office of Management and Budget, in the Executive Office of the President
- E. SLMA - Student Loan Marketing Association (a federally initiated private corporation; also known as "Sallie Mae")
- F. Treasury - Treasury Department

IV. Agencies and Offices

- A. BCS - Boeing Computer Services (processor/contractor)
- B. GA - State guarantee agencies
- C. Institution - a postsecondary institution eligible to administer Title IV programs
- D. MDE - Multiple Data Entry (processors/contractors for processing student applications):
 - o ACT - American College Testing
 - o CSS - College Scholarship Service
 - o PHEAA - Pennsylvania Higher Education Assistance Authority
 - o SAAC - Student Aid Application of California

V. Miscellaneous Acronyms

- A. ACA - Administrative Costs Allowance
- B. ADS - Alternate Disbursement System (Pell Grants)
- C. AGI - Adjusted Gross Income
- D. CAN - Common Accounting Number
- E. CW-S - College Work-Study program
- F. EFC - Expected Family Contribution
- G. FAO - Financial Aid Officer (institution)
- H. GSL - Guaranteed Student Loan program
- I. LTS - Loan Transaction Statement
- J. NDSL - National Direct Student Loan
- K. NPRM - Notice of proposed rulemaking
- L. RDS - Regular Disbursement System
- M. SAI - Student Aid Index
- N. SAR - Student Aid Report

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- O. SCR - School Confirmation Report
- P. SEOG - Supplementary Educational Opportunity Grant
- Q. SEP - Statement of Educational Purpose
- R. SFA - Student Financial Assistance